

**NEW ISSUES - BOOK ENTRY ONLY**

*In the opinion of Robinson & Pearman LLP, Bond Counsel, under existing law, interest on the Series A Bonds and the Series B Bonds is exempt from personal income taxes of the State of California. Bond Counsel is further of the opinion that, under existing law and assuming compliance with the tax covenants described herein, interest on the Series B Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion as to the exclusion from gross income for federal income tax purposes of interest on the Series A Bonds or regarding any other federal tax consequence relating to the accrual or receipt of interest on the Series A Bonds or the Series B Bonds. See "TAX MATTERS" herein.*

**\$17,230,000  
PUBLIC FACILITIES FINANCING AUTHORITY OF  
THE CITY OF SAN DIEGO, CALIFORNIA  
POOLED FINANCING BONDS  
2007 SERIES A (TAXABLE)  
(SOUTHCREST, CENTRAL IMPERIAL AND MOUNT  
HOPE REDEVELOPMENT PROJECTS)**

**\$17,755,000  
PUBLIC FACILITIES FINANCING AUTHORITY OF  
THE CITY OF SAN DIEGO, CALIFORNIA  
POOLED FINANCING BONDS  
2007 SERIES B (TAX-EXEMPT)  
(SOUTHCREST AND CENTRAL IMPERIAL  
REDEVELOPMENT PROJECTS)**

**Dated:** Date of Delivery

**Due:** October 1, as shown on the inside cover page

This cover page contains information for quick reference only. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The \$17,230,000 Public Facilities Financing Authority of the City of San Diego, California (the "Authority"), Pooled Financing Bonds, 2007 Series A (Taxable) (Southcrest, Central Imperial and Mount Hope Redevelopment Projects) (the "Series A Bonds" or "Taxable Bonds") and the \$17,755,000 Public Facilities Financing Authority of the City of San Diego, California, Pooled Financing Bonds, 2007 Series B (Tax-Exempt) (Southcrest and Central Imperial Redevelopment Projects) (the "Series B Bonds" or "Tax-Exempt Bonds" and together with the Taxable Bonds, the "Bonds") will be issued to (i) make loans to the Redevelopment Agency of the City of San Diego (the "Agency") to be used for financing and refinancing redevelopment activities in the Southcrest Redevelopment Project Area, Central Imperial Redevelopment Project Area and the Mount Hope Redevelopment Project Area (each a "Redevelopment Project Area" and collectively, the "Redevelopment Project Areas"), (ii) pay the costs of bond insurance for the Bonds, (iii) fund reserve accounts under the Loan Agreements which secure the Bonds and (iv) pay the costs of issuance incurred in connection with the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Taxable Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2007, by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee") (the "Taxable Indenture") and the Tax-Exempt Bonds are being issued pursuant to a separate Indenture of Trust, dated as of June 1, 2007, by and between the Authority and Trustee (the "Tax-Exempt Indenture" and together with the Taxable Indenture, the "Indentures") in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers of interests in the Bonds will not receive certificates from the Authority or the Trustee representing their interest in the Bonds purchased. Interest on the Bonds will be payable semiannually on April 1 and October 1 of each year, commencing October 1, 2007. Payments of principal, premium, if any, and interest on the Bonds will be payable by the Trustee, to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described herein.

The Bonds are subject to optional and mandatory redemption as described herein. See "THE BONDS – REDEMPTION" herein.

The Bonds are obligations of the Authority, payable exclusively from, and secured by a first lien and pledge on the Revenues and certain other moneys held under the respective Indentures. The "Revenues" for each series of Bonds primarily consist of all amounts payable by the Agency to the Authority for such series of Bonds pursuant to (1) the Loan Agreement and Third Supplemental Trust Agreement (Southcrest Redevelopment Project), dated as of June 1, 2007, by and among the Authority, the Trustee and the Agency relating to the tax-exempt loan of \$9,405,000 and the taxable loan of \$7,605,000 to the Agency with respect to the Southcrest Redevelopment Project (the "Southcrest Loan Agreement"); (2) the Loan Agreement and Second Supplemental Trust Agreement (Central Imperial Redevelopment Project), dated as of June 1, 2007, by and among the Authority, the Trustee and the Agency relating to the tax-exempt loan of \$8,350,000 and the taxable loan of \$6,515,000 to the Agency with respect to the Central Imperial Redevelopment Project (the "Central Imperial Loan Agreement") and (3) the Loan Agreement and Fourth Supplemental Trust Agreement (Mount Hope Redevelopment Project), dated as of June 1, 2007, by and among the Authority, the Trustee and the Agency relating to the taxable loan of \$3,110,000 to the Agency with respect to the Mount Hope Redevelopment Project (the "Mount Hope Loan Agreement" and together with the Southcrest Loan Agreement and the Central Imperial Loan Agreement, the "Loan Agreements"). The payments due under the Southcrest Loan Agreement are payable from certain tax increment revenues derived from the Southcrest Redevelopment Project Area, as described herein. The payments due under the Central Imperial Loan Agreement are payable from certain tax increment revenues derived from the Central Imperial Redevelopment Project Area, as described herein. The payments due under the Mount Hope Loan Agreement are payable from certain tax increment revenues derived from the Mount Hope Redevelopment Project Area, as described herein. There is no cross-collateralization between the Loan Agreements; tax increment revenues collected from one Redevelopment Project Area will not be available to pay loan payments due on the Loan Agreements for other Redevelopment Project Areas. A payment default under one Loan Agreement could cause a payment default on one or both series of the Bonds to the extent that funds in the applicable reserve account is insufficient to pay debt service on that portion of the Bonds. See "SECURITY FOR THE BONDS" herein.

Payment of principal of and interest on the Series A Bonds and the Series B Bonds will be insured in accordance with the terms of separate financial guaranty insurance policies to be issued simultaneously with the delivery of the Taxable Bonds and the Tax-Exempt Bonds by

Radian Asset Assurance Inc. **RADIAN**

**The Bonds are not a debt of the City of San Diego (the "City"), the Agency, the State of California (the "State"), or any of its political subdivisions, and neither the City, said Agency, the State, nor any of its political subdivisions is liable hereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority and Agency specified in the Indenture. The Bonds do not constitute an indebtedness of the Agency or the Authority within the meaning of any constitutional or statutory debt limitation or restriction.**

The Bonds are separately offered, when, as and if issued by the Authority, subject to approval as to validity by Robinson & Pearman LLP, La Jolla, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Agency by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel to the Agency, and by the City Attorney, serving as General Counsel to the Agency. It is expected that the Bonds will be available through the facilities of DTC in New York, New York on or about July 12, 2007.

**RBC Capital Markets**

**Backstrom McCarley Berry & Co., LLC**

June 27, 2007

**\$34,985,000**  
**PUBLIC FACILITIES FINANCING AUTHORITY OF**  
**THE CITY OF SAN DIEGO, CALIFORNIA**  
**POOLED FINANCING BONDS**

**MATURITY SCHEDULES**

**\$17,230,000**

**2007 SERIES A (TAXABLE)**  
**(SOUTHCREST, CENTRAL IMPERIAL AND**  
**MOUNT HOPE REDEVELOPMENT PROJECTS)**  
**(Base CUSIP<sup>†</sup>: 79729P)**

\$5,195,000 5.95% Term 2007 Series A Bond due October 1, 2017, Price 100%, CUSIP No.<sup>†</sup> BQ0

\$2,935,000 6.37% Term 2007 Series A Bond due October 1, 2022, Price 100%, CUSIP No.<sup>†</sup> BR8

\$9,100,000 6.65% Term 2007 Series A Bond due October 1, 2037, Price 100%, CUSIP No.<sup>†</sup> BS6

**17,755,000**

**2007 SERIES B (TAX-EXEMPT)**  
**(SOUTHCREST AND CENTRAL IMPERIAL**  
**REDEVELOPMENT PROJECTS)**  
**(Base CUSIP<sup>†</sup>: 79729P)**

**\$5,000,000 SERIAL 2007 SERIES B (TAX-EXEMPT) BONDS**

<b>Maturity (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Number<sup>†</sup></b>
2007	\$330,000	4.250%	3.875%	BT4
2008	305,000	4.250	3.900	BU1
2009	305,000	4.250	4.030	BV9
2010	385,000	4.250	4.080	BW7
2011	405,000	4.250	4.150	BX5
2012	415,000	4.000	4.200	BY3
2013	425,000	4.125	4.240	BZ0
2014	445,000	4.125	4.280	CA4
2015	470,000	4.250	4.380	CB2
2016	480,000	4.300	4.480	CC0
2017	505,000	4.375	4.550	CD8
2018	530,000	4.500	4.620	CE6

\$2,280,000 5.125% Term 2007 Series B Bond due October 1, 2022, Yield 4.71%\*, CUSIP No.<sup>†</sup> CF3

\$3,535,000 5.250% Term 2007 Series B Bond due October 1, 2027, Yield 4.79%\*, CUSIP No.<sup>†</sup> CG1

\$4,565,000 5.250% Term 2007 Series B Bond due October 1, 2032, Yield 4.85%\*, CUSIP No.<sup>†</sup> CH9

\$2,375,000 5.250% Term 2007 Series B Bond due October 1, 2037, Yield 4.90%\*, CUSIP No.<sup>†</sup> CJ5

<sup>†</sup> CUSIP Copyright, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP service bureau, a Division of The McGraw-Hill Companies, Inc. The Agency, the Authority, the Financial Advisor and the Underwriters assume no responsibility for the accuracy of such CUSIP data.

\* Yield to call on October 1, 2017 at 100%.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Agency or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecast or matters of the opinion, whether or not expressly so described herein, and intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such document, statute and constitutional provision.

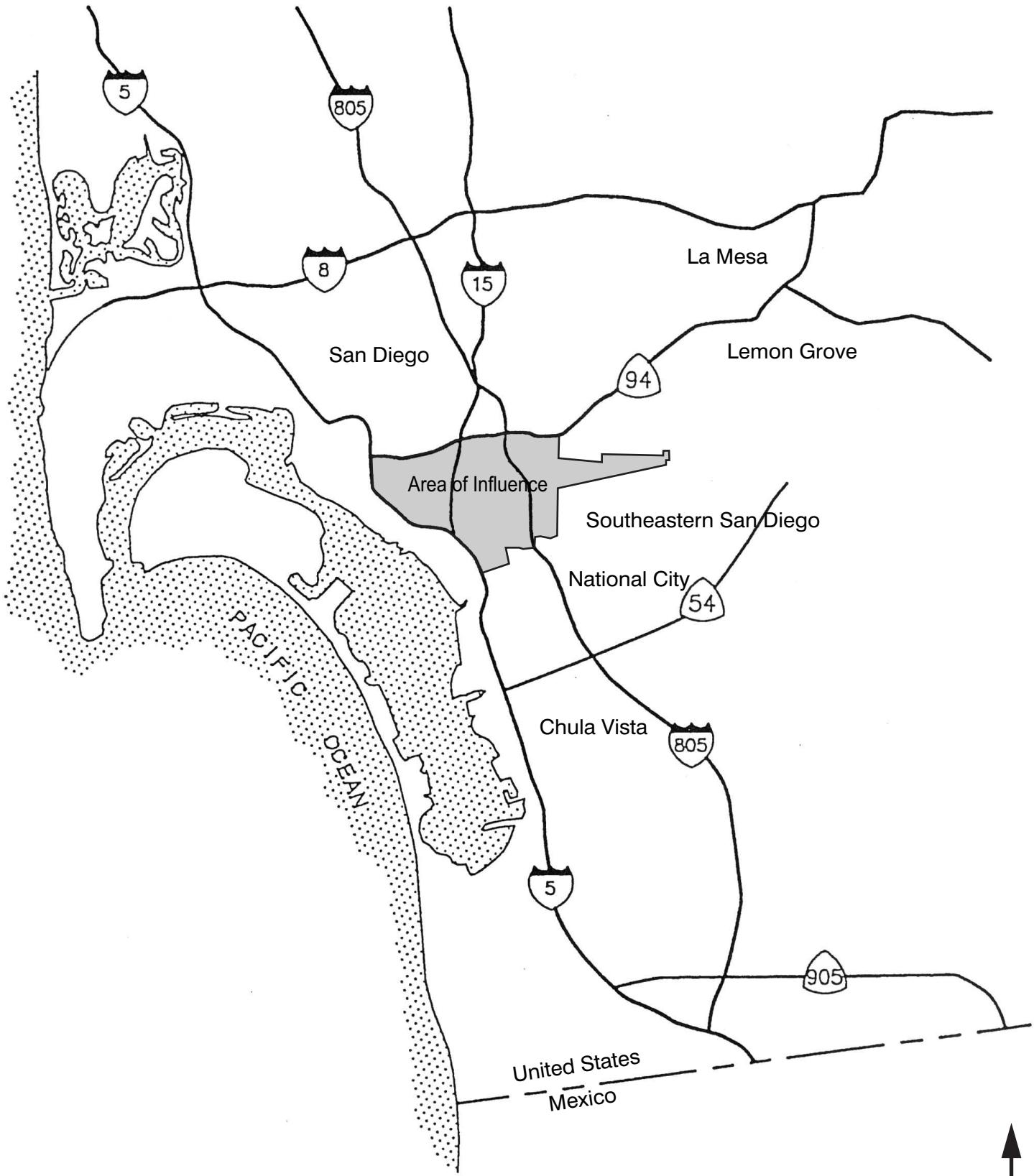
The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or any other parties described herein since the date hereof.

The information set forth herein has been furnished by the Agency and by other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING RADIAN ASSET ASSURANCE INC. ("RADIAN ASSET ASSURANCE") CONTAINED UNDER THE CAPTION "FINANCIAL GUARANTY INSURANCE" HEREIN AND IN APPENDIX G – "FORM OF FINANCIAL GUARANTY INSURANCE POLICY" HERETO, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY RADIAN ASSET ASSURANCE, AND RADIAN ASSET ASSURANCE MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO: (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE BONDS; OR (iii) THE TAX STATUS OF THE INTEREST ON THE BONDS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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March 2007

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No Scale

## Regional Location Map



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## **REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, CALIFORNIA**

Councilmember Scott Peters, Chair, District 1  
Councilmember Kevin Faulconer, District 2  
Councilmember Toni Atkins, District 3  
Councilmember Anthony Young, District 4

Councilmember Brian Maienschein, District 5  
Councilmember Donna Frye, District 6  
Councilmember Jim Madaffer, District 7  
Councilmember Ben Hueso, District 8

Mayor Jerry Sanders, *Executive Director*  
James T. Waring, *Assistant Executive Director*  
Michael J. Aguirre, *General Counsel*

## **SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION BOARD OF DIRECTORS**

Artie Owen, *Chair*

Randy Jones, *Vice Chair*  
Charles Simpson, *Secretary*  
Agnes Benson, *Treasurer*  
Richard Geisler, *Director*

Sharon Whitehurst-Payne, *Director*  
Daniel Gonzalez, *Director*  
Keannya Hagen, *Director*  
Derryl Williams, *Director*

Carolyn Y. Smith, *President*  
Dante Dayacap, *Director of Finance*

## **PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, CALIFORNIA**

Joseph W. Craver, *Chairman, Public Member*

Gail R. Granewich, *Secretary, City Treasurer*  
[vacancy], *Public Member*

John Chalker, *Public Member*  
James T. Waring, *Asst. Executive Director of the  
Redevelopment Agency*

## **SPECIAL SERVICES**

Robinson & Pearman LLP  
*Bond Counsel*

Hawkins Delafield & Wood LLP  
*Disclosure Counsel*

Kane, Ballmer & Berkman  
*Redevelopment Special Counsel*

First Albany Capital, Inc.  
*Financial Advisor*

Keyser Marston Associates, Inc.  
*Fiscal Consultant*

The Bank of New York Trust Company, N.A.  
*Trustee and Escrow Agent*

Grant Thornton LLP  
*Verification Agent*

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<b>\$17,230,000</b> <b>PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, CALIFORNIA POOLED FINANCING BONDS 2007 SERIES A (TAXABLE) (SOUTHCREST, CENTRAL IMPERIAL AND MOUNT HOPE REDEVELOPMENT PROJECTS)</b>	<b>\$17,755,000</b> <b>PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, CALIFORNIA POOLED FINANCING BONDS 2007 SERIES B (TAX-EXEMPT) (SOUTHCREST AND CENTRAL IMPERIAL REDEVELOPMENT PROJECTS)</b>
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## INTRODUCTION

*The following introduction presents a brief description of certain information in connection with the issuance of the Bonds and is qualified in its entirety by reference to the entire Official Statement and the documents summarized or described herein. References to, and summaries of, provisions of the Constitution and the laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. Capitalized terms used in this Official Statement and not defined herein shall have the meanings ascribed to such terms in the Taxable Indenture or the Tax-Exempt Indenture, as applicable. See APPENDIX C - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto.*

### General

This Official Statement, including the cover page and appendices hereto, is provided to furnish information regarding the \$17,230,000 Public Facilities Financing Authority of the City of San Diego, California (the "Authority"), Pooled Financing Bonds, 2007 Series A (Taxable) (Southcrest, Central Imperial and Mount Hope Redevelopment Projects) (the "Series A Bonds" or "Taxable Bonds") and the \$17,755,000 Public Facilities Financing Authority of the City of San Diego, California (the "Authority"), Pooled Financing Bonds, 2007 Series B (Tax-Exempt) (Southcrest and Central Imperial Redevelopment Projects) (the "Series B Bonds" or "Tax-Exempt Bonds" and together with the Taxable Bonds, the "Bonds"). The Bonds are being issued by the Authority to make loans (collectively, the "Loans") to the Redevelopment Agency of the City of San Diego (the "Agency") to be used for financing and refinancing redevelopment activities in the Southcrest Redevelopment Project Area, the Central Imperial Redevelopment Project Area and the Mount Hope Redevelopment Project Area (collectively, the "Redevelopment Project Areas" and each a "Redevelopment Project Area"). See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

### The Bonds

The Bonds are being issued by the Authority pursuant to the Mark-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the Government Code of the State (the "JPA Law") and, with respect to the Taxable Bonds, an Indenture of Trust, dated as of June 1, 2007 (the "Taxable Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee, and, with respect to the Tax-Exempt Bonds, an Indenture of Trust dated as of June 1, 2007 (the "Tax-Exempt Indenture") by and between the Authority and the Trustee. The terms of the Taxable Indenture and the Tax-Exempt Indenture are similar except with respect to certain covenants relating to the issuance of tax-exempt bonds and references herein to "Indenture" refers to, with respect to the Taxable Bonds, the Taxable Indenture, and with respect to the Tax-Exempt Bonds, the Tax-Exempt Indenture.

### The Loans

The proceeds of the Bonds are being used by the Authority to make five separate Loans to the Agency for the three Redevelopment Project Areas pursuant to the following documents (1) the Master Trust Agreement (Southcrest Redevelopment Project), as supplemented by the Loan Agreement and Third Supplemental Trust Agreement (Southcrest Redevelopment Project), dated as of June 1, 2007, by and among the Authority, the Trustee and the Agency relating to the tax-exempt loan of \$9,405,000 and the taxable loan of \$7,605,000 to the Agency with respect to the Southcrest Redevelopment Project (the "Southcrest Loan

Agreement"); (2) the Master Trust Agreement (Central Imperial Redevelopment Project), as supplemented by the Loan Agreement and Second Supplemental Trust Agreement (Central Imperial Redevelopment Project), dated as of June 1, 2007, by and among the Authority, the Trustee and the Agency relating to the tax-exempt loan of \$8,350,000 and the taxable loan of \$6,515,000 to the Agency with respect to the Central Imperial Redevelopment Project (the "Central Imperial Loan Agreement"); and (3) the Master Trust Agreement (Mount Hope Redevelopment Project), as supplemented by the Loan Agreement and Fourth Supplemental Trust Agreement (Mount Hope Redevelopment Project), dated as of June 1, 2007, by and among the Authority, the Trustee and the Agency relating to the taxable loan of \$3,110,000 to the Agency with respect to the Mount Hope Redevelopment Project (the "Mount Hope Loan Agreement" and together with the Southcrest Loan Agreement and the Central Imperial Loan Agreement, the "Loan Agreements" and each individually a "Loan Agreement"). See "Appendix C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein.

The Loans are being entered into by the Agency under the Loan Agreements pursuant to the Constitution (the "Constitution") and laws of the State of California (the "State"), including the Community Redevelopment Law (Section 33000 et seq. of the Health and Safety Code of the State) (the "Redevelopment Law"), the JPA Law and Section 53580 et seq. of the Government Code of the State. The proceeds of the Loans will be used by the Agency to refund certain existing indebtedness in each of the Redevelopment Project Areas, to finance or refinance additional separate redevelopment activities in two of the Redevelopment Project Areas, to fund a deposit to reserve accounts for the Loans and parity obligations of each Redevelopment Project Area, and to pay costs of issuance related to the Loans and the Bonds including, but not limited to the costs of bond insurance for the Bonds. See "PLAN OF FINANCE" herein.

### **Book-Entry System**

The Bonds will be initially delivered in the form of a separate single fully registered Bond for each series and maturity of the Bonds. Upon initial delivery, the ownership of each such Bond will be registered on the registration books in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the depository of the Bonds and all payments due on the Bonds will be made to DTC or its nominee, which is obligated in turn to remit such payment to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described herein. See APPENDIX D – "BOOK-ENTRY SYSTEM" attached hereto.

### **Security for the Bonds**

The Constitution and statutes of the State provide for the financing of redevelopment projects through loans payable from a portion of the property taxes collected from within a project area upon the increase in taxable valuation of land, improvements, personal property and public utility property. The taxable valuation of a project area last equalized prior to the effective date of the ordinance adopting the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll ("tax increment"). With certain exceptions (including statutory tax-sharing requirements), taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes.

The Bonds of each Series are separately secured by a pledge of, and charge and lien upon, all of the Revenues (as defined in the Indenture relating to such Series of Bonds) and such other moneys and securities of the Authority as are pledged thereto under the Indenture relating to such Series of Bonds. The Revenues and such other moneys and securities pledged under each Indenture constitute a trust fund for the security and payment of the principal of and interest and premium, if any, on the Bonds of said Series issued thereunder. The Revenues are comprised principally of the payments to be made by the Agency with respect to principal of and interest on each of the Loans.

Pursuant to each Loan Agreement, the Agency is obligated to make payments from the Pledged Tax Revenues of each Project Area to the Trustee, and the Trustee is obligated under each Indenture to use those payments, which comprise the major component of the Revenues, solely to make principal and interest payments on the Series of the Bonds to which such Revenues have been pledged. Scheduled payments of principal and interest on the Taxable Bonds are structured to match the combined scheduled payments of principal of and interest on the taxable Loans under the Loan Agreements and scheduled payments of principal and interest on the Tax Exempt Bonds are structured to match the combined scheduled payments of principal of and interest on the tax-exempt Loans to be made to the Agency under the Loan Agreements. Debt service payments on each Series of the Bonds will be made by the Authority using the moneys received by the Authority as debt service payments from the Agency on the Loans, which payments are separately payable by the Agency from the separate Tax Revenues received by the Agency from the Redevelopment Project Areas.

There is no cross-collateralization between the Loan Agreements; tax increment revenues collected from one Redevelopment Project Area will not be available to pay loan payments or debt service due on the Loan Agreements for other Redevelopment Project Areas. A payment default under one Loan Agreement could cause a payment default on one or both series of the Bonds to the extent that funds in the applicable reserve account is insufficient to pay debt service on that portion of the Bonds. See "SECURITY FOR THE BONDS" herein.

As further discussed herein, the Agency has certain outstanding indebtedness payable on a parity with payments of principal and interest on the Loans under the Mount Hope Loan Agreement, outstanding in the aggregate principal amount of \$3,895,000. Additionally, each Loan Agreement permits, under certain circumstances described therein, future bonds, loans and indebtedness to be issued payable on a parity with the Loans from such Redevelopment Project Area. See "SECURITY FOR THE BONDS – Parity Debt under the Loan Agreements" herein. Also see "MOUNT HOPE REDEVELOPMENT PROJECT AREA – Outstanding Indebtedness" and "MOUNT HOPE REDEVELOPMENT PROJECT AREA – Estimated Tax Revenues, Debt Service and Coverage" herein.

Each Redevelopment Project Area is required to make payments to taxing agencies as a result of statutory obligations or payment agreements. The debt service coverage tables contained in this Official Statement show those payments being made prior to payment of debt service on the Loans, although as discussed in "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Pass-Through Agreements" and "– Statutory Pass-Through Payments" herein, the Agency anticipates that all of such payments will be subordinated to the payment of debt service on the Loans for each of the Redevelopment Project Areas.

To further secure the payment of principal of and interest on the Taxable Bonds and the Tax-Exempt Bonds, the Agency is required, upon delivery of the Taxable Bonds and the Tax-Exempt Bonds, to fund separate Reserve Accounts under each of the Loan Agreements, in an aggregate amount equal to \$1,544,765.00 with respect to the Southcrest Loan Agreement, \$1,204,858.05 with respect to the Central Imperial Loan Agreement and \$216,903 with respect to the Mount Hope Loan Agreement (the total amount on deposit in the reserve accounts under the Mount Hope Loan Agreement, including deposits related to the Mount Hope Unrefunded Bonds, is \$620,000). The Reserve Accounts under each Loan Agreement may also secure future parity debt for such Redevelopment Project Area. See "SECURITY FOR THE BONDS – Reserve Accounts" and "MOUNT HOPE REDEVELOPMENT PROJECT AREA – Outstanding Debt" herein and Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto.

### **Limited Obligation**

The Bonds are not a debt of the City of San Diego (the "City"), the Agency, the State of California (the "State"), or any of its political subdivisions, and neither the City, the Agency, the State, nor any of its political subdivisions is liable hereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority and Agency specified in the Indenture. The Bonds do not

constitute an indebtedness of the Agency or the Authority within the meaning of any constitutional or statutory debt limitation or restriction.

### **Bond Insurance**

The scheduled payments of principal of and interest on the Taxable Bonds and the Tax-Exempt Bonds when due will be insured by separate financial guaranty insurance policies (each, the “Policy”) to be issued concurrently with the delivery of the Taxable Bonds and the Tax-Exempt Bonds by Radian Asset Assurance Inc. (the “Insurer”). See “FINANCIAL GUARANTY INSURANCE” herein.

### **The Agency**

The Agency was activated by the City Council of the City (the “City Council”) on May 6, 1958, pursuant to the Redevelopment Law. The members of the City Council serve as the Board of the Agency. In August 1980, the Agency designated Southeastern Economic Development Corporation (“SEDC”) as operating manager of redevelopment projects in the southeastern area of San Diego, east of Interstate 5 and south of State Route 94. The Agency charged SEDC with responsibility for the planning, implementation and administration of redevelopment in areas which include, the Southcrest Redevelopment Project Area, the Central Imperial Redevelopment Project Area, the Mount Hope Redevelopment Project Area, the Gateway Center West Redevelopment Project Area and a study area called Dells Imperial.

SEDC was organized in 1981 by the City as a non-profit corporation with a nine-member Board of Directors appointed by the City Council. SEDC has a current operating staff of 15 employees. See “THE AGENCY” herein.

### **Redevelopment Project Areas**

***Southcrest Redevelopment Project Area.*** The redevelopment plan for the Southcrest Redevelopment Project Area (the “Southcrest Redevelopment Plan”) was adopted on April 14, 1986 and consists of approximately 301 acres. As described in the Southcrest Redevelopment Plan, the principal redevelopment goal for this area is to revitalize deteriorating commercial and residential areas, redevelop the resinded Highway 252 corridor, and provide business and employment opportunities for the residents of the southeastern community. See “SOUTHCREST REDEVELOPMENT PROJECT AREA” and APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto.

***Central Imperial Redevelopment Project Area.*** The redevelopment plan for the Central Imperial Redevelopment Project Area (the “Central Imperial Redevelopment Plan”) was adopted on September 14, 1992, and subsequently amended, and consists of approximately 580 acres. As described in the Central Imperial Redevelopment Plan, the principal redevelopment goal for this area is to improve and rehabilitate property, to provide incentives for development of property and employment opportunities, and to increase communication relating to such redevelopment activities among the residents. See “CENTRAL IMPERIAL REDEVELOPMENT PROJECT AREA” and APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto.

***Mount Hope Redevelopment Project Area.*** The redevelopment plan for the Mount Hope Redevelopment Project Area (the “Mount Hope Redevelopment Plan” and collectively with the Central Imperial Redevelopment Plan and the Southcrest Redevelopment Plan, the “Redevelopment Plans”) was adopted on November 22, 1982 and consists of approximately 210 acres. As described in the Mount Hope Redevelopment Plan, the principal redevelopment goal for this area is to revitalize deteriorating commercial and residential areas, redevelop the resinded Highway 252 corridor, and provide business and employment opportunities for the residents of the southeastern community. See “MOUNT HOPE

REDEVELOPMENT PROJECT AREA” and APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto.

### **Continuing Disclosure**

The Agency has covenanted for the benefit of the owners of the Bonds to provide, so long as the Bonds are outstanding, respectively, certain financial information and operating data relating to the Agency (the “Annual Report”) by not later than 270 days following the end of the Agency’s Fiscal Year (which is currently June 30), commencing with the Annual Report for the 2006-07 Fiscal Year and to provide notices of the occurrences of certain enumerated events, if material. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”). The specific nature of the information to be contained in the Annual Report or the notices of material events by the Agency is set forth in the Continuing Disclosure Certificate for the Bonds. As described under “– Certain Investigations Regarding the City” below, the Agency filed Annual Reports filed with respect to Fiscal Years 2002-03 through 2004-05 for certain outstanding obligations of the Agency, but did not provide financial statements with such Annual Reports because the City’s financial statements were not available. See “CONTINUING DISCLOSURE” herein and APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

### **Certain Investigations Regarding the City**

The following provides a summary of certain matters regarding the City’s financial statements and certain ongoing investigations relating to the City. The City found errors in various financial statements for the fiscal year ended June 30, 2002. Certain of these errors were reported by the City to the nationally recognized municipal securities information repositories in filings dated January 27, 2004, and March 12, 2004. As a result of the discovery of such errors, the City retained the accounting firm of KPMG LLP (“KPMG”) to perform a full scope audit and render an opinion on the financial statements of the City for the fiscal year ended June 30, 2003. The City has retained the accounting firm of Macias Gini & O’Connell LLP (“Macias”) to perform an audit and render an opinion on the financial statements of the City for the fiscal year ended June 30, 2004 and June 30, 2005 and is negotiating with such firm for auditing fiscal years ended June 30, 2006 and June 30, 2007.

On February 13, 2004, the U.S. Securities and Exchange Commission (the “Commission”) notified the City that it was investigating certain City bond offerings. At the same time, the United States Attorney’s Office began its investigation regarding certain bond offerings by the City. The City retained Vinson & Elkins L.L.P. (“V&E”) to investigate the City’s disclosure practices regarding the funding of its pension fund liability for the period 1996-2004. V&E released their initial report on September 16, 2004. KPMG advised the City that in its view the V&E report did not provide a basis for the City to conclude whether there was any “intentional misconduct or other conduct, which violated any law, rule, or regulation having the force of law.” On August 4, 2005 V&E released an additional report intended to complete the additional investigative procedures to be responsive to KPMG’s concerns. Such report was submitted for review to the City Council and to Kroll Inc., serving at the time as the City’s outside Audit Committee (the “Kroll Audit Committee”).

On August 8, 2006, the Kroll Audit Committee released its report entitled, “Investigation Into The San Diego City’s Employees’ Retirement System and the City of San Diego Sewer Rate Structure” (the “Report”). The Report concluded that failures of the City government, including government officials, contributed to the City’s failure to conform to requirements of law and to adhere to principles of sound governance and financial reporting. Moreover, the Report concluded that City officials deliberately failed to obey the law with regard to rate setting requirements for the sewer system.

On November 14, 2006, the City entered into a cease-and-desist order with the Commission relating to violations of the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 in

connection with the offer and sale of municipal securities in 2002 and 2003, and other related public financial disclosures.

The Commission concluded that the “City’s public disclosures in the preliminary official statements and official statements for its 2002 and 2003 offerings, its 2003 continuing disclosures, and presentations to the rating agencies failed to disclose material information regarding the City’s current funding of its pension and retiree health care obligations, the City’s future pension and retiree health care obligations, and the City’s ability to pay those future obligations.” The Commission further concluded that “[t]he City, through its officials, acted with scienter.”

The cease-and-desist order also imposed certain remedial sanctions, including the retention of an independent consultant to review and assess its policies, procedures and internal controls with respect to bond offerings, including disclosures made in its financial statements. On January 16, 2007, the City retained the law firm of Edwards Angell Palmer & Dodge, LLP to serve as Independent Consultant. The independent consultant is required to conduct annual reviews of the City’s policies, procedures and internal controls for a three year period, and provide copies of such annual reports to the Commission. On June 7, 2007 the Initial Report of Independent Consultant to the City of San Diego was released.

The Commission’s investigation is ongoing as to individuals and other entities that may have violated federal security laws. The City Attorney has prepared several reports regarding the City’s underfunding of its pension system in which he concluded that various City officials violated provisions of federal securities laws and other State law. All of those reports are available on the City Attorney’s website.

On March 16, 2007 KPMG released an unqualified opinion regarding the City's financial statements for the fiscal year ending June 30, 2003. The 2003 financial statements were referred to the City's Audit Committee, which consists of three members of the City Council. The Audit Committee completed its review of the 2003 financial statements on May 21, 2007, and on June 5, 2007 the City Council received and filed the City's Fiscal Year 2003 Comprehensive Annual Financial Report (CAFR). On June 8, 2007 the Agency's stand alone Annual Financial Report for Fiscal Year 2003 was released. Since the Agency is a component unit of the City, the release of its stand alone financial statements was delayed pending the release of the City's financial statements.

On June 11, 2007, Macias released an unqualified opinion on the City's Financial Statements for Fiscal Year 2004. Such financial statements have been referred to the Audit Committee for review. The City's financial statements for the fiscal years ending 2005 and 2006 have not been completed. The Agency has not yet completed its stand alone financial reports for fiscal years 2004 through 2006. At this time, it cannot be determined when Macias will provide opinion letters regarding the City's, including the Agency's, outstanding financial statements.

The Bonds are not payable from any funds of the City, including amounts in the City's General Fund, and Tax Revenues are not impacted by the financial condition of the City's General Fund. See “SECURITY FOR THE BONDS – Limited Obligation” herein. However, Tax Revenues are initially invested in the City's Investment Pool before they are transferred to the Trustee for deposit in accordance with the Indentures and Loan Agreements, as applicable. See “RISK FACTORS – Investment of Tax Revenues” and “– Certain Bankruptcy Risks” herein. To the best knowledge of the Agency, the investigations relating to the City's financial statements and disclosure practices do not involve matters directly related to the security for, or the payment of, the Bonds.

### **Forward-Looking Statements**

Certain statements included or incorporated by reference in this Official Statement, including the appendices hereto, constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities and Exchange Act of

1934, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Agency's forecasts in any way. Except as set forth in the disclosure undertakings, the Agency does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

### **Additional Information**

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement will, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the Authority since the date hereof. The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Agency or the Authority. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Copies of the Indentures and the Loan Agreements are available upon request and payment of costs to the Agency at Southeastern Economic Development Corporation, 4393 Imperial Avenue, Suite 200, San Diego, California 92113, Attention: Director of Finance, (619) 527-7345.

### **THE AUTHORITY**

The San Diego Public Facilities Financing Authority is a public agency duly organized and existing pursuant to a Joint Exercise of Powers Agreement (the "Agreement") between the City and the Agency. The Agreement was entered into pursuant to the provisions of Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The Board of Commissioners of the Authority are appointed by the Mayor and confirmed by the City Council and the Agency. The Authority was created for the primary purpose of financing certain public capital facilities improvements of the City and the Agency. No assets or property of the Authority, other than amounts pledged under the Taxable Indenture and the Tax-Exempt Indenture, as applicable, secure the payment of debt service on the Bonds.

### **THE AGENCY**

The Agency was activated on May 6, 1958, by action of the City Council, pursuant to the Redevelopment Law. The Agency is a separate legal entity from the City. The members of the City Council serve as the Agency Board.

On November 2, 2004, City voters passed Proposition F, which amended the City Charter to add Article XV to "test implementation of a new form of governance commonly known as a Strong Mayor form of government" for a five-year period. Under this form of government the Mayor is the Chief Executive Officer of the City, and the City Council is now composed of eight members, presided over by a Council President. On January 1, 2006, the Mayor assumed all executive power and responsibilities conferred upon the City Manager under City Charter Articles V – Executive and Administrative Services, VII – Finance, and IX – Retirement of Employees.

The Mayor is currently serving as the Executive Director of the Agency, although Proposition F does not specifically require that the Mayor serve in this position. James T. Waring is the Assistant Executive Director and Janice Weinrick is the Deputy Executive Director.

The Agency is charged with the responsibility of eliminating blight within the redevelopment project areas through the process of redevelopment. The Agency exercises governmental functions in carrying out projects, and has sufficiently broad authority to acquire, develop, administer and sell or lease property, including the right of eminent domain and the right to issue bonds, notes and other evidences of indebtedness and to expend their proceeds.

In addition, the Agency can clear buildings and other improvements and develop as a building site any real property owned or acquired, and in connection with such development, cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed. The Agency may, out of the funds available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities, structures or other improvements to be publicly owned, to the extent that such improvements are of benefit to the relevant project area and no other reasonable means of financing is available. The Agency must sell or lease remaining property within a project for redevelopment by others in strict conformity with the redevelopment plan, and may specify a period within which such redevelopment must begin and be completed.

## **SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

In August 1980, the Agency designated SEDC as operating manager of redevelopment projects in the southeastern area of San Diego, east of Interstate 5 and south of State Route 94. The Agency charged SEDC with responsibility for the planning, implementation and administration of redevelopment in areas which include, the Southcrest Redevelopment Project Area the Central Imperial Redevelopment Project Area, the Mount Hope Redevelopment Project Area, as well as the Gateway Center West Redevelopment Project Area and a study area called Dells Imperial.

SEDC is managed by a Board of Directors consisting of nine individuals appointed by the Mayor and the City Council, and a professional staff of 14 employees. The current members of the Board of Directors, the dates their terms expire and their present occupations are as follows:

<b><u>Board of Directors</u></b>	<b><u>Initial Appointment Date</u></b>	<b><u>Term Expires<sup>(1)</sup></u></b>	<b><u>Occupation</u></b>
Artie Owen, Chair	February 23, 2003	May 25, 2003	Developer
Randy Jones, Vice Chair	February 23, 2003	May 25, 2005	Attorney
Charles Simpson, Secretary	September 29, 2003	May 25, 2006	Corporate Marketing
Agnes Benson, Treasurer	May 25, 2000	May 25, 2003	Retired Banker
Richard Geisler	January 8, 2007	May 25, 2008	Environmental Planner
Daniel Gonzalez	January 8, 2007	May 25, 2007	Retired City Employee
Keannya Hagen	January 8, 2007	May 25, 2008	Executive
Dr. Sharon Whitehurst- Payne	August 15, 2000	May 25, 2006	Educator
Derryl Williams	February 6, 2007	May 25, 2007	Systems Analyst

(1) Directors hold office until their successors are appointed.

The senior professional staff of SEDC presently includes the following members:

**Carolyn Y. Smith, President**, was appointed as president by the unanimous vote of the SEDC Board of Directors in February of 1994. Ms. Smith brings 25 years of redevelopment and urban planning experience to the position. Prior to becoming President of SEDC, she served in several capacities including Manager of Projects and Development and Executive Vice President. During her tenure the corporation has assisted in the

construction of 1.5 million square feet of industrial space and 600 residential units. She has completed her graduate studies in Urban Planning at San Diego State University. Ms. Smith serves on numerous boards and is a member of Lambda Alpha, the Urban Land Institute, the California Southern Small Business Development Corporation, Jackie Robinson YMCA, and was recently appointed to the Citizen Oversight Committee for the San Diego Community College District's bond-financed projects.

**Dante Dayacap, Director of Finance**, joined SEDC in July, 1991. Prior to his employment with SEDC, Mr. Dayacap served as the Finance Director to the City of Imperial Beach and the Ramona Water District. Mr. Dayacap has a B.B.A. in Accounting from National University and is a member of the California Society of Municipal Finance Officers (CSMFO).

## THE BONDS

### General

The Bonds will be dated as of their delivery date, will mature on October 1 in each of the years and in the amounts, and will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates as shown on the inside cover page of this Official Statement. The Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof. Interest on the Bonds will be payable on April 1 and October 1 of each year (each an "Interest Payment Date"), commencing October 1, 2007, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before September 15, 2007, in which event it will bear interest from the Closing Date.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each series and maturity of the Bonds in denominations equal to the aggregate principal amount of the Bonds maturing in that year, and will be deposited with DTC. All payments due on the Bonds will be made to DTC or its nominee, which is obligated in turn to remit such payment to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described herein. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the owners of the Bonds or Bondholders shall mean Cede & Co. and shall not mean the actual purchasers of the Bonds (the "Beneficial Owners"). See APPENDIX C – "BOOK-ENTRY SYSTEM" attached hereto.

## **Redemption**

***Optional Redemption for Taxable Bonds.*** The Taxable Bonds maturing on or after October 1, 2018 are subject to optional redemption prior to their respective maturity dates as a whole, or in part by lot, by such maturity or maturities as shall be directed by the Agency (or in the absence of such direction, pro rata by maturity and by lot within a maturity), from prepayments of the Loans made at the option of the Agency pursuant to the Loan Agreements, subject to applicable notice provisions contained therein, on any date on or after October 1, 2017 with respect to which such prepayment of the Loans have been made, at a redemption prices equal to the principal amount of such Taxable Bonds to be redeemed, without premium, plus accrued interest to the date fixed for redemption:

***Optional Redemption for Tax-Exempt Bonds.*** The Tax-Exempt Bonds maturing on or after October 1, 2018 are subject to optional redemption prior to their respective maturity dates as a whole, or in part by lot, by such maturity or maturities as shall be directed by the Agency (or in the absence of such direction, pro rata by maturity and by lot within a maturity), from prepayments of the Loans made at the option of the Agency pursuant to the Loan Agreements, subject to applicable notice provisions contained therein, on any date on or after October 1, 2017 with respect to which such prepayment of the Loans have been made, at a redemption price equal to the principal amount of such Tax-Exempt Bonds to be redeemed, without premium, plus accrued interest to the date fixed for redemption:

***Mandatory Sinking Fund Redemption.*** The Taxable Bonds maturing on October 1, 2017, 2022 and 2037 are subject to mandatory sinking fund redemption in part, by lot (as determined by the Trustee), at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium, in the aggregate respective principal amounts and in the respective years as set forth in the following tables:

### **Taxable Bond Maturing on October 1, 2017**

<b>Sinking Account Redemption Date (October 1)</b>	<b>Principal Amount to Be Redeemed or Purchased</b>
2007	\$ 540,000
2008	350,000
2009	375,000
2010	385,000
2011	420,000
2012	445,000
2013	475,000
2014	505,000
2015	530,000
2016	570,000
2017 (maturity)	600,000

**Taxable Bond Maturing on October 1, 2022**

<b>Sinking Account Redemption Date (October 1)</b>	<b>Principal Amount to Be Redeemed or Purchased</b>
2018	\$ 645,000
2019	680,000
2020	665,000
2021	455,000
2022 (maturity)	490,000

**Taxable Bond Maturing on October 1, 2037**

<b>Sinking Account Redemption Date (October 1)</b>	<b>Principal Amount to Be Redeemed or Purchased</b>
2023	\$ 520,000
2024	550,000
2025	590,000
2026	630,000
2027	670,000
2028	715,000
2029	765,000
2030	810,000
2031	865,000
2032	930,000
2033	360,000
2034	385,000
2035	410,000
2036	435,000
2037 (maturity)	465,000

The Tax-Exempt Term Bonds maturing on October 1, 2022, 2027, 2032 and 2037 are subject to mandatory sinking fund redemption in part, by lot (as determined by the Trustee), at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium, in the aggregate respective principal amounts and in the respective years as set forth in the following tables:

**Tax-Exempt Bond Maturing on October 1, 2022**

<b>Sinking Account Redemption Date (October 1)</b>	<b>Principal Amount to Be Redeemed or Purchased</b>
2019	\$ 555,000
2020	545,000
2021	575,000
2022(maturity)	605,000

**Tax-Exempt Bond Maturing on October 1, 2027**

<b>Sinking Account Redemption Date (October 1)</b>	<b>Principal Amount to Be Redeemed or Purchased</b>
2023	\$ 635,000
2024	670,000
2025	705,000
2026	745,000
2027(maturity)	780,000

**Tax-Exempt Bond Maturing on October 1, 2032**

<b>Sinking Account Redemption Date (October 1)</b>	<b>Principal Amount to Be Redeemed or Purchased</b>
2028	\$ 825,000
2029	865,000
2030	915,000
2031	955,000
2032 (maturity)	1,005,000

**Tax-Exempt Bond Maturing on October 1, 2037**

<b>Sinking Account Redemption Date (October 1)</b>	<b>Principal Amount to Be Redeemed or Purchased</b>
2033	\$ 425,000
2034	450,000
2035	475,000
2036	500,000
2037 (maturity)	525,000

***Notice of Redemption.*** The Trustee on behalf and at the expense of the Authority shall mail (by first-class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to one or more Information Services, at least 30 days but not more than 60 days prior to the date fixed for redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers of the Bonds to be redeemed, state the individual number of each Bond to be redeemed or state that all Taxable Bonds or Tax-Exempt Bonds between two stated numbers (both inclusive) or all of the Taxable Bonds or Tax-Exempt Bonds Outstanding (or all Taxable Bonds or Tax-Exempt Bonds of a maturity) are to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

***Effect of Redemption.*** From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and premium, if any, on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

***Partial Optional Redemption or Purchase.*** If less than all of the Term Bonds of a particular maturity have been redeemed or purchased and tendered to the Trustee for cancellation pursuant to the Indenture (other than in connection with making a particular sinking fund payment), the total amount of all sinking fund redemptions shall be reduced by the aggregate principal amount of such Term Bonds so redeemed or tendered and cancelled, to be allocated among such sinking fund payments as shall be designated by the Authority in writing, or, if not so designated, pro rata among such sinking fund payments.

## Debt Service Schedule

Set forth below is the debt service on the Bonds.

<b>Bond Year</b>	<b>Taxable Bonds</b>			<b>Tax-Exempt Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$540,000.00	\$ 241,654.85	\$ 781,654.85	\$330,000.00	\$192,970.39	\$ 522,970.39
2008	350,000.00	1,069,082.00	1,419,082.00	305,000.00	865,333.76	1,170,333.76
2009	375,000.00	1,048,257.00	1,423,257.00	305,000.00	852,371.26	1,157,371.26
2010	385,000.00	1,025,944.50	1,410,944.50	385,000.00	839,408.76	1,224,408.76
2011	420,000.00	1,003,037.00	1,423,037.00	405,000.00	823,046.26	1,228,046.26
2012	445,000.00	978,047.00	1,423,047.00	415,000.00	805,833.76	1,220,833.76
2013	475,000.00	951,569.50	1,426,569.50	425,000.00	789,233.76	1,214,233.76
2014	505,000.00	923,307.00	1,428,307.00	445,000.00	771,702.52	1,216,702.52
2015	530,000.00	893,259.50	1,423,259.50	470,000.00	753,346.26	1,223,346.26
2016	570,000.00	861,724.50	1,431,724.50	480,000.00	733,371.26	1,213,371.26
2017	600,000.00	827,809.50	1,427,809.50	505,000.00	712,731.26	1,217,731.26
2018	645,000.00	792,109.50	1,437,109.50	530,000.00	690,637.52	1,220,637.52
2019	680,000.00	751,023.00	1,431,023.00	555,000.00	666,787.52	1,221,787.52
2020	665,000.00	707,707.00	1,372,707.00	545,000.00	638,343.76	1,183,343.76
2021	455,000.00	665,346.50	1,120,346.50	575,000.00	610,412.52	1,185,412.52
2022	490,000.00	636,363.00	1,126,363.00	605,000.00	580,943.76	1,185,943.76
2023	520,000.00	605,150.00	1,125,150.00	635,000.00	549,937.50	1,184,937.50
2024	550,000.00	570,570.00	1,120,570.00	670,000.00	516,600.00	1,186,600.00
2025	590,000.00	533,995.00	1,123,995.00	705,000.00	481,425.00	1,186,425.00
2026	630,000.00	494,760.00	1,124,760.00	745,000.00	444,412.50	1,189,412.50
2027	670,000.00	452,865.00	1,122,865.00	780,000.00	405,300.00	1,185,300.00
2028	715,000.00	408,310.00	1,123,310.00	825,000.00	364,350.00	1,189,350.00
2029	765,000.00	360,762.50	1,125,762.50	865,000.00	321,037.50	1,186,037.50
2030	810,000.00	309,890.00	1,119,890.00	915,000.00	275,625.00	1,190,625.00
2031	865,000.00	256,025.00	1,121,025.00	955,000.00	227,587.50	1,182,587.50
2032	930,000.00	198,502.50	1,128,502.50	1,005,000.00	177,450.00	1,182,450.00
2033	360,000.00	136,657.50	496,657.50	425,000.00	124,687.50	549,687.50
2034	385,000.00	112,717.50	497,717.50	450,000.00	102,375.00	552,375.00
2035	410,000.00	87,115.00	497,115.00	475,000.00	78,750.00	553,750.00
2036	435,000.00	59,850.00	494,850.00	500,000.00	53,812.50	553,812.50
2037	465,000.00	30,922.50	495,922.50	525,000.00	27,562.50	552,562.50

Source: RBC Capital Markets.

The following table shows loan payments by Redevelopment Project Area relating to the Loan Agreements, which constitute the Revenues securing each Series of Bonds.

Fiscal Year <u>Ending June 30,</u>	Series A Bonds (Taxable)			Series B Bonds (Tax-Exempt)			
	Southcrest	Central Imperial	Mt. Hope	Total Loan Payments	Southcrest	Central Imperial	Total Loan Payments
2007	\$407,389	\$157,899	\$216,367	\$ 781,655	\$325,988	\$196,983	\$ 522,970
2008	581,517	499,468	338,098	1,419,082	670,635	499,699	1,170,334
2009	584,972	499,708	338,578	1,423,257	661,285	496,086	1,157,371
2010	577,832	499,651	333,463	1,410,945	671,935	552,474	1,224,409
2011	580,692	499,296	343,050	1,423,037	676,735	551,311	1,228,046
2012	587,957	498,643	336,448	1,423,047	665,898	554,936	1,220,834
2013	589,329	497,693	339,548	1,426,570	660,698	553,536	1,214,234
2014	590,107	496,446	341,755	1,428,307	669,973	546,730	1,216,703
2015	590,289	494,901	338,070	1,423,260	673,423	549,924	1,223,346
2016	594,877	498,058	338,790	1,431,725	660,885	552,486	1,213,371
2017	593,572	495,621	338,618	1,427,810	668,200	549,531	1,217,731
2018	596,672	497,886	342,553	1,437,110	669,419	551,219	1,220,638
2019	597,976	498,968	334,080	1,431,023	669,569	552,219	1,221,788
2020	628,325	494,413	249,970	1,372,707	636,888	546,456	1,183,344
2021	625,808	494,539		1,120,347	629,975	555,438	1,185,413
2022	627,335	499,029		1,126,363	632,550	553,394	1,185,944
2023	627,588	497,563		1,125,150	634,100	550,838	1,184,938
2024	625,643	494,928		1,120,570	634,150	552,450	1,186,600
2025	627,368	496,628		1,123,995	638,150	548,275	1,186,425
2026	627,430	497,330		1,124,760	635,838	553,575	1,189,413
2027	625,830	497,035		1,122,865	632,475	552,825	1,185,300
2028	627,568	495,743		1,123,310	633,063	556,288	1,189,350
2029	627,310	498,453		1,125,763	637,338	548,700	1,186,038
2030	625,058	494,833		1,119,890	635,038	555,588	1,190,625
2031	625,810	495,215		1,121,025	631,425	551,163	1,182,588
2032	629,235	499,268		1,128,503	631,500	550,950	1,182,450
2033		496,658		496,658		549,688	549,688
2034		497,718		497,718		552,375	552,375
2035		497,115		497,115		553,750	553,750
2036		494,850		494,850		553,813	553,813
2037		495,923		495,923		552,563	552,563

Source: RBC Capital Markets.

## PLAN OF FINANCE

Amounts deposited in the Redevelopment Fund for a Redevelopment Project Area will be used by the Agency to finance redevelopment activities in each such Redevelopment Project Area. Amounts deposited in the Housing Trust Fund for a Redevelopment Project Area will be used by the Agency to finance certain improvements relating to, or increasing the supply of, low and moderate income housing in such Redevelopment Project Area and such other areas as authorized by the Redevelopment Law. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

A portion of the proceeds of the Tax-Exempt Bonds will be used to refund the Agency's Southcrest Redevelopment Project Tax Allocation Bonds, Series 1995 (the "Southcrest 1995 Refunded Bonds"). The Southcrest 1995 Refunded Bonds will be refunded pursuant to the Escrow Agreement (the "Southcrest 1995 Escrow Agreement"), dated as of July 12, 2007, between the Agency and The Bank of New York Trust Company, N.A., as escrow holder (the "Escrow Agent"). A portion of the proceeds of the Bonds, together with certain other available moneys, will be held in an escrow fund by the Escrow Agent (the "Southcrest 1995 Escrow Fund") for the benefit of the owners of the Southcrest 1995 Refunded Bonds. The amounts deposited in the Southcrest 1995 Escrow Fund will be held uninvested or used to purchase certain direct obligations of the United States of America (the "Government Obligations") which will be sufficient, together with interest earnings thereon, to redeem the Southcrest 1995 Refunded Bonds on August 13, 2007, at a redemption price equal to 101% of the principal amount thereof. The securities and other moneys held under the Southcrest 1995 Escrow Agreement will be pledged to payment of the Southcrest 1995 Refunded Bonds. Neither the principal of the securities held in the Southcrest 1995 Escrow Fund nor the interest thereon will be available for payments with respect to the Bonds.

A portion of the proceeds of the Tax-Exempt Bonds will be used to refund the Agency's Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000 (the "Southcrest 2000 Refunded Bonds"). The Southcrest 2000 Refunded Bonds will be refunded pursuant to the Escrow Agreement (the "Southcrest 2000 Escrow Agreement"), dated as of July 12, 2007, between the Agency and the Escrow Agent. A portion of the proceeds of the Bonds, together with certain other available moneys, will be held in an escrow fund by the Escrow Agent (the "Southcrest 2000 Escrow Fund") for the benefit of the owners of the Southcrest 2000 Refunded Bonds. The amounts deposited in the Southcrest 2000 Escrow Fund will be used to purchase Government Obligations which will be sufficient, together with interest earnings thereon, to pay debt service on the Southcrest 2000 Refunded Bonds through and including their date of prepayment on October 1, 2010 and on such date to pay the redemption price of the Southcrest 2000 Refunded Bonds, equal to 101% of the principal amount thereof. The securities and other moneys held under the Southcrest 2000 Escrow Agreement will be pledged to payment of the Southcrest 2000 Refunded Bonds. Neither the principal of the securities held in the Southcrest 2000 Escrow Fund nor the interest thereon will be available for payments with respect to the Bonds.

A portion of the proceeds of the Tax-Exempt Bonds will be used to refund the Agency's Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000 (the "Central Imperial Refunded Bonds"). The Central Imperial Refunded Bonds will be refunded pursuant to the Escrow Agreement (the "Central Imperial Escrow Agreement"), dated as of July 12, 2007, between the Agency and the Escrow Agent. A portion of the proceeds of the Bonds, together with certain other available moneys, will be held in an escrow fund by the Escrow Agent (the "Central Imperial Escrow Fund") for the benefit of the owners of the Central Imperial Refunded Bonds. The amounts deposited in the Central Imperial Escrow Fund will be used to purchase Government Obligations which will be sufficient, together with interest earnings thereon, to pay debt service on the Central Imperial Refunded Bonds through and including their date of prepayment on October 1, 2010 and on such date to pay the redemption price of the Central Imperial Refunded Bonds, equal to 101% of the principal amount thereof. The securities and other moneys held under the Central Imperial Escrow Agreement will be pledged to payment of the Central Imperial Refunded Bonds. Neither the principal of the securities held in the Central Imperial Escrow Fund nor the interest thereon will be available for payments with respect to the Bonds.

A portion of the proceeds of the Taxable Bonds will be used to refund the Agency's Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995B (the "Mount Hope Refunded Bonds"). The Mount Hope Refunded Bonds will be refunded pursuant to the Escrow Agreement (the "Mount Hope Escrow Agreement"), dated as of July 12, 2007, between the Agency and the Escrow Agent. A portion of the proceeds of the Bonds, together with certain other available moneys, will be held in an escrow fund by the Escrow Agent (the "Mount Hope Escrow Fund") for the benefit of the owners of the Mount Hope Refunded Bonds. The amounts deposited in the Mount Hope Escrow Fund will be held uninvested or used to purchase Government Obligations which will be sufficient, together with interest earnings thereon, to redeem the Mount Hope Refunded Bonds on August 13, 2007, at a redemption price equal to 101% of the principal amount thereof. The securities and other moneys held under the Mount Hope Escrow Agreement will be pledged to payment of the Mount Hope Refunded Bonds. Neither the principal of the securities held in the Mount Hope Escrow Fund nor the interest thereon will be available for payments with respect to the Bonds.

### ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Taxable Bonds will be used to make three Loans to the Agency, one for each Redevelopment Project Areas. Set forth below are the estimated sources and uses of proceeds of the Taxable Loans, with underwriters' discount and costs of issuance with respect to the Taxable Bonds allocated among the three Loans:

	<b>Southcrest<sup>(1)</sup></b>	<b>Central Imperial<sup>(1)</sup></b>	<b>Mount Hope<sup>(1)</sup></b>
<b>Sources of Funds:</b>			
Principal Amount of Taxable Loans	\$7,605,000.00	\$6,515,000.00	\$3,110,000.00
Released Funds from Refunded Bonds Indentures	--	--	400,688.94
<b>Total</b>	<u>\$7,605,000.00</u>	<u>\$6,515,000.00</u>	<u>\$3,510,688.94</u>
 <b>Uses of Funds<sup>(1)</sup>:</b>			
Redevelopment Fund	\$5,392,800.00	\$4,636,800.00	--
Housing Trust Fund	1,348,200.00	1,159,200.00	--
Escrow Fund	--	--	\$3,207,238.00
Reserve Account	629,235.00	499,708.00	216,903.00
Costs of Issuance <sup>(2)</sup>	<u>234,765.00</u>	<u>219,292.00</u>	<u>86,547.94</u>
<b>Total</b>	<u>\$7,605,000.00</u>	<u>\$6,515,000.00</u>	<u>\$3,510,688.94</u>

<sup>(1)</sup> The proceeds of the Bonds will be deposited in the funds and used for the purposes set forth in the related Loan Agreement.

<sup>(2)</sup> Includes the respective Underwriter's discount, legal fees, fiscal consultant fees, financial advisor fees, rating agency fees, bond insurance premium, and other costs of issuance in connection with the Bonds.

The proceeds of the Tax-Exempt Bonds will be used to make two Loans to the Agency, one for each of the Project Areas indicated below. Set forth below are the estimated sources and uses of proceeds of the Tax-Exempt Loans under the Loan Agreements, with underwriters' discount and costs of issuance with respect to the Taxable Bonds allocated among the two Loans:

	<b>Southcrest<sup>(1)</sup></b>	<b>Central Imperial<sup>(1)</sup></b>
<b>Sources of Funds:</b>		
Principal Amount of Tax-Exempt Loans	\$ 9,405,000.00	\$8,350,000.00
Net Original Issue Premium	193,223.10	196,023.50
Released Funds from Refunded Bonds Indentures	<u>428,214.77</u>	<u>267,638.24</u>
<b>Total</b>	<b>\$10,026,437.87</b>	<b>\$8,813,661.74</b>
 <b>Uses of Funds<sup>(1)</sup>:</b>		
Redevelopment Fund	\$ 3,748,800.00	\$3,625,600.00
Housing Trust Fund	937,200.00	906,400.00
Escrow Fund	4,148,028.15	3,321,375.95
Reserve Account	915,530.00	705,150.05
Costs of Issuance <sup>(2)</sup>	<u>276,879.72</u>	<u>255,135.74</u>
<b>Total</b>	<b>\$10,026,437.87</b>	<b>\$8,813,661.74</b>

(1) The proceeds of the Bonds will be deposited in the funds and used for the purposes set forth in the related Loan Agreement.

(2) Includes the respective Underwriter's discount, legal fees, fiscal consultant fees, financial advisor fees, rating agency fees, bond insurance premium, and other costs of issuance in connection with the Bonds.

## **SECURITY FOR THE BONDS**

### **General**

Under provisions of the California Constitution and the Redevelopment Law, taxes levied upon taxable property in the Project Areas each year by or for the benefit of the State of California, any city, county, city and county or other public corporation ("taxing agencies") for Fiscal Years beginning, after the effective date of the ordinance approving the redevelopment plan for each Redevelopment Project Area (the "Effective Date"), are divided as follows:

1. The portion equal to the amount of those taxes which would have been produced by the current tax rate, applied to the assessed value of the taxable property in each Redevelopment Project Area as last equalized prior to the Effective Date is paid (when collected) into the funds of those respective taxing agencies as taxes by or for such taxing agencies;

2. Except as provided in subparagraph (3) below, that portion of such levied taxes each year in excess of such amount is allocated to and when collected paid into a special fund of the Agency, to the extent required to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, (i) the Agency's redevelopment projects within the Redevelopment Project Area and (ii) under certain circumstances, publicly owned improvements outside of the Redevelopment Project Area; and

3. That portion of the taxes identified in subparagraph (2) above that are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of

real property approved by the voters of the taxing agency on or after January 1, 1989, shall be allocated to, and when collected shall be paid into, the fund of such taxing agency.

The Redevelopment Law requires that, except under certain circumstances, redevelopment agencies set aside 20% of all gross tax increment derived from redevelopment project areas into a low and moderate income housing fund, to be used for the purpose of increasing, improving and preserving the community's supply of low and moderate income housing. Such 20% set-aside requirement is referred herein as the "Housing Set-Aside Amounts."

### **Pledge under the Indenture**

The Bonds are secured by a first lien and pledge on all of the Revenues and a pledge of all moneys in the Interest Account and Principal Account held under the related Indenture.

Under the Indentures, "Revenues" means (a) all amounts payable by the Agency to the Authority pursuant to the Loan Agreements for, with respect to the Taxable Indenture, the Taxable Bonds, or with respect to the Tax-Exempt Indenture, the Tax-Exempt Bonds, other than administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee; (b) any proceeds of, with respect to the Taxable Indenture, the Taxable Bonds, or with respect to the Tax-Exempt Indenture, the Tax-Exempt Bonds, originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under such Indenture; and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under such Indenture.

### **Pledge under the Loan Agreements**

The Loan Agreements have similar terms. Indebtedness incurred pursuant to a Loan Agreement is secured by a first lien on and pledge of Tax Revenues of the related Redevelopment Project Area. The Agency covenants in the Loan Agreements that, except as set forth thereunder, it will not grant any prior or parity pledge of related Tax Revenues or create or permit to be created any charge or lien on the related Tax Revenues ranking prior to the indebtedness incurred pursuant to such Loan Agreement. Under each Loan Agreement, the payments due under such Loan Agreement are payable from Pledged Tax Revenues relating to the Redevelopment Project Area associated with such Loan Agreement.

"Pledged Tax Revenues" with respect to a Loan means, for each Bond Year, (i) the first Project Tax Revenues in an amount that is equal to eighty percent (80%) of Annual Debt Service for the related Loan for such Bond Year, plus an amount, if any, equal to the amount required to maintain the Project Reserve Fund at the Reserve Requirement (including any sums required to be repaid for amounts drawn under any Reserve Fund Surety Bond for such Bonds) and (ii) the first Housing Tax Revenues in an amount equal to twenty percent (20%) of Annual Debt Service for the related Loan for such Bond Year, plus an amount, if any, equal to the amount required to maintain the Housing Reserve Fund at the Reserve Requirement (including any sums required to be repaid for amounts drawn under any Reserve Fund Surety Bond for such Bonds); provided, however, that in each Bond Year, Pledged Tax Revenues shall also include such amount of Project Tax Revenues and/or Housing Tax Revenues, if any, which is necessary to pay all prior Annual Debt Service which has accrued but remain unpaid and unprovided for.

"Project Tax Revenues" means the eighty percent (80%) of Tax Revenues for the related Redevelopment Project Area other than Housing Tax Revenues.

"Housing Tax Revenues" means the twenty percent (20%) of Tax Revenues for the related Redevelopment Project Area which are currently required to be deposited in the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3, 33334.6 and 33487 of the Redevelopment Law.

“Tax Revenues” means that portion of taxes levied (including all payments, reimbursements and subventions paid by the State, if any, specifically attributable to ad valorem taxes lost by reason of business inventory tax or other exemptions and tax rate limitations) upon taxable property in each respective Redevelopment Project Area which is allocated to and paid into a special fund of the Agency pursuant to Article 6 of Chapter 6 of the Redevelopment Law, Section 16 of Article XVI of the Constitution of the State of California and the Redevelopment Plan, subject to the Tax Increment Limitation but excluding payments, if any, made to the County of San Diego as an administrative fee pursuant to SB 2557 and excluding moneys reserved to taxing entities under Health and Safety Code Sections 33676, 33607.5 and 33607.7 (or under other provisions of Redevelopment Law) to the extent that such payments are not lawfully subordinate to the payment of Annual Debt Service under the Loan Agreements.

“Tax Increment Limitation” means the limitation of \$87,000,000, \$142,000,000, and \$47,000,000 which is the maximum amount of Tax Revenues which may be paid to the Agency from the Southcrest Redevelopment Project Area, Central Imperial Redevelopment Project Area, and Mount Hope Redevelopment Project Area, respectively, as such limitation may be amended from time to time pursuant to the Redevelopment Law, and excluding from the calculation of such limit the amounts permitted to be excluded by the Redevelopment Law.

There is no cross-collateralization between the Loan Agreements; tax increment revenues collected from one Redevelopment Project Area will not be available to pay loan payments or debt service due on the Loan Agreements for other Redevelopment Project Areas. A payment default under one Loan Agreement could cause a payment default on one or both series of the Bonds to the extent that funds in the applicable reserve account and other reserve accounts related to parity indebtedness (if any) are insufficient to pay debt service on that portion of the Bonds. The table below indicated the principal amount of the Loan for each Redevelopment Project Area. Each Redevelopment Project Area’s share of the debt service on the Bonds will vary from year to year. See “DEBT SERVICE SCHEDULE” herein.

<u>Loan Agreement</u>	<u>Taxable Loan</u>	<u>Tax-Exempt Loan</u>
Southcrest	\$7,605,000	\$9,405,000
Central Imperial	6,515,000	8,350,000
Mount Hope	3,110,000	

### Reserve Accounts

Under each Loan Agreement, reserve accounts are established. Moneys held in the reserve accounts are to be used for the purpose of paying principal and interest due under the related Loan Agreement and other applicable obligations if the amounts in the accounts held under such Loan Agreement are on any date insufficient to pay in full the interest or principal or interest and principal due on such date. The table below indicates the amounts required to be deposited in the reserve accounts in the reserve funds held under each Loan Agreement. The Reserve Accounts are initially funded with cash.

<u>Loan Agreement</u>	<u>Project Reserve Fund</u>		<u>Housing Reserve Fund</u>	
	<u>Taxable Account</u>	<u>Tax-Exempt Account</u>	<u>Taxable Account</u>	<u>Tax-Exempt Account</u>
Southcrest	\$503,388.00	\$732,424.00	\$125,847.00	\$183,106.00
Central Imperial	399,766.40	564,120.04	99,941.60	141,030.01
Mount Hope	173,522.40		43,380.60	

On the date of issuance of the Bonds, the total deposit in reserve accounts related to indebtedness secured by Tax Revenues related to the Mount Hope Redevelopment Project Area is \$620,000 (includes cash already on deposit in the amount of \$97,597, a surety bond in the amount of \$305,500 and \$216,903 deposited under the Mount Hope Loan Agreement as indicated in the table above). This amount secures the payments

due under the Mount Hope Loan Agreement, the Unrefunded Mount Hope Bonds, and any future parity debt incurred in accordance with the Mount Hope Loan Agreement.

At least annually, prior to October 1, the Trustee is required to determine the value of the Reserve Fund under each Loan Agreement. Permitted Investments shall be valued at cost. A Reserve Fund Insurance Policy deposited with the Trustee is required to be valued as equal to the face amount or stated amount of such policy. If, on any valuation of the Reserve Fund, the value of the Reserve Fund shall exceed the Reserve Fund Requirement, unless otherwise provided in a Supplemental Trust Agreement, such excess shall be withdrawn and transferred to the Agency to be used for any lawful purpose. If, on valuation of the Reserve Fund, the value is less than the Reserve Fund Requirement, deposits shall be made into the Reserve Fund from and to the extent of Tax Revenues as provided in the Loan Agreement until the Reserve Fund Requirement is restored. A “Reserve Fund Insurance Policy” is an insurance policy provided by a bond insurer, a letter of credit, surety bond or other credit instrument, deposited in the Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein, provided, however, that the obligations of the entity providing such Reserve Fund Insurance Policy shall be continuously rated in one of the two highest classifications by Moody’s and S&P, the Reserve Fund Insurance Policy shall be acceptable to the Insurer, and S&P shall receive prior notification of the deposit of such Reserve Fund Insurance Policy.

### **Parity Debt under the Loan Agreements**

***Southcrest Loan Agreement.*** As condition to the issuance of any Bond or other indebtedness (“Obligations”) secured by the Southcrest Loan Agreement there shall first be delivered to the Trustee and any Insurer a certificate prepared by an Authorized Agency Representative stating that no Event of Default under the Southcrest Loan Agreement has occurred and is continuing and accompanied by a report from an Independent Accountant or Independent Redevelopment Consultant showing, as applicable (i) with respect to Project Parity Bonds that the Project Tax Revenues to be collected in the then current Bond Year (including unitary revenues, using the then most recently established assessed value for the Southcrest Redevelopment Project Area, a 1% tax rate and assuming assessment appeals then currently on file are settled at the average rate for which such appeals were settled in the then last two Fiscal Years but excluding any subvention payments made by the State) will be at least equal to 125% of Maximum Annual Debt Service for all Project Parity Bonds which will be Outstanding immediately after the issuance of the proposed Project Parity Bonds, and (ii) with respect to Housing Parity Bonds that the Housing Tax Revenues to be collected in the then current Bond Year (including unitary revenues, using the then most recently established assessed value for the Southcrest Redevelopment Project Area, a 1% tax rate and assuming assessment appeals then currently on file are settled at the average rate for which such appeals were settled in the then last two Fiscal Years but excluding any subvention payments made by the State) will be at least equal to 125% of Maximum Annual Debt Service for all Housing Parity Bonds which will be Outstanding immediately after the issuance of the proposed Housing Parity Bonds.

The certificate described above shall not be required if the Obligations being issued are for the purpose of refunding then Outstanding Obligations and there is delivered to the Trustee, instead, a certificate of the Authorized Agency Representative showing that Maximum Annual Debt Service on all Outstanding Obligations payable from Housing Tax Revenues and/or Project Tax Revenues (as applicable) after the issuance of the refunding bonds will not exceed Maximum Annual Debt Service on all Outstanding Obligations prior to the issuance of such Obligations.

***Central Imperial Loan Agreement.*** As a condition to the issuance of any Obligations secured by the Central Imperial Loan Agreement there shall first be delivered to the Trustee and any Insurer a certificate prepared by an Authorized Agency Representative stating that no Event of Default under the Central Imperial Loan Agreement has occurred and then is continuing and accompanied by a report from an Independent Accountant or Independent Redevelopment Consultant showing that Tax Revenues for the Central Imperial Redevelopment Project Area (or the portion thereof to be pledged to pay such Obligations) to be collected in the then current Bond Year will be at least equal to 150% of Maximum Annual Debt Service for all Parity

Obligations payable from such Tax Revenues which will be Outstanding immediately after the issuance of the proposed indebtedness.

The certificate described above shall not be required if the Obligations being issued are for the purpose of refunding then Outstanding Obligations and there is delivered to the Trustee and all Insurers of Outstanding Bonds, instead, a certificate of the Authorized Agency Representative showing that Maximum Annual Debt Service on all Outstanding Bonds payable from Tax Revenues from the Central Imperial Redevelopment Project Area after the issuance of the refunding Series of Obligations will not exceed Maximum Annual Debt Service on all Outstanding Obligations payable from such Tax Revenues prior to the issuance of such Obligations. Parity Obligations may not be issued to refund Subordinate Obligations without meeting the criteria described in the prior paragraph unless all then Outstanding Senior Obligations are covered by one or more Municipal Bond Insurance Policies and the Agency first obtains the prior written consent of all Insurers of the Outstanding Senior Obligations.

***Mount Hope Loan Agreement.*** As condition to the issuance of any Obligations secured by the Mount Hope Loan Agreement there shall first be delivered to the Trustee and any Insurer a certificate prepared by an Authorized Agency Representative stating that no Event of Default under the Mount Hope Loan Agreement has occurred and is continuing and accompanied by a report from an Independent Accountant or Independent Redevelopment Consultant showing, as applicable (i) with respect to Project Parity Bonds that the Project Tax Revenues to be collected in the then current Bond Year (including unitary revenues, using the then most recently established assessed value for the Mount Hope Redevelopment Project Area, a 1% tax rate and assuming assessment appeals then currently on file are settled at the average rate for which such appeals were settled in the then last two Fiscal Years but excluding any subvention payments made by the State) will be at least equal to 150% of Maximum Annual Debt Service for all Project Parity Bonds which will be Outstanding immediately after the issuance of the proposed Project Parity Bonds, and (ii) with respect to Housing Parity Bonds that the Housing Tax Revenues to be collected in the then current Bond Year (including unitary revenues, using the then most recently established assessed value for the Redevelopment Project Area, a 1% tax rate and assuming assessment appeals then currently on file are settled at the average rate for which such appeals were settled in the then last two Fiscal Years but excluding any subvention payments made by the State) will be at least equal to 150% of Maximum Annual Debt Service for all Housing Parity Bonds which will be Outstanding immediately after the issuance of the proposed Housing Parity Bonds.

The certificate described above shall not be required if the Obligations being issued are for the purpose of refunding then Outstanding Obligations and there is delivered to the Trustee, instead, a certificate of the Authorized Agency Representative showing that Maximum Annual Debt Service on all Outstanding Obligations payable from Housing Tax Revenues and/or Project Tax Revenues (as applicable) after the issuance of the refunding bonds will not exceed Maximum Annual Debt Service on all Outstanding Obligations prior to the issuance of such Obligations.

### **No Senior Indebtedness**

The Agency has covenanted in the Loan Agreements not to create or permit to be created any charge or lien on the Tax Revenues for a Redevelopment Project Area ranking prior to the charge or lien on obligations incurred pursuant to the related Loan Agreement.

### **Subordinate Indebtedness**

The Agency is permitted to create or permit to be created a charge or lien on the Tax Revenues for a Redevelopment Project Area ranking junior or subordinate to the charge or lien created by obligations incurred pursuant to the related Loan Agreement. See “SOUTHCREST REDEVELOPMENT PROJECT AREA – Outstanding Indebtedness” for a description of outstanding subordinated indebtedness payable from tax increment generated by the Southcrest Redevelopment Project Area. See “CENTRAL IMPERIAL REDEVELOPMENT PROJECT AREA – Outstanding Indebtedness” for a description of outstanding

subordinated indebtedness payable from tax increment generated by the Central Imperial Redevelopment Project Area. See "MOUNT HOPE REDEVELOPMENT PROJECT AREA – Outstanding Indebtedness" for a description of outstanding subordinated indebtedness payable from tax increment generated by the Mount Hope Redevelopment Project Area.

### **Limited Obligation**

The Bonds are not a debt of the City, the Agency, the State, or any of its political subdivisions, and neither the City, said Agency, the State, nor any of its political subdivisions is liable hereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority and Agency specified in the Indentures. The Bonds do not constitute an indebtedness of the Agency or the Authority within the meaning of any constitutional or statutory debt limitation or restriction.

### **Investments**

The proceeds of the Bonds and other moneys required to be deposited by the Agency in the funds and accounts established under the Indentures and the Loan Agreements will be held and invested in Permitted Investments. Investment inventory reports are provided to the Director of Finance of SEDC on a monthly basis. See "RISK FACTORS – Investment of Tax Revenues" herein and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto.

The Agency's Tax Revenues are initially deposited into the Agency's accounts held by the City and invested by the City in accordance with the provisions of the City Charter, State and federal laws governing the investment of moneys under the control of the City Treasurer. The City Treasurer provides an investment report on a monthly basis to the Chief Financial Officer, the City Auditor and Comptroller and the City Council and annually presents a statement of investment policy (the "Investment Guidelines") to the Mayor's Office, the City Council and the City's Investment Advisory Committee for investments held by the in the City's investment pool (the "Investment Pool"). The Investment Advisory Committee of the City was established in 1990 and is comprised of the City Auditor and Comptroller, the Chief Financial Officer and three investment professionals from the private sector. The Investment Advisory Committee is charged with oversight responsibility to review on an on-going basis the Investment Guidelines and practices of the City Treasurer and recommend changes. See "RISK FACTORS – Investment of Tax Revenues" and "- Certain Bankruptcy Risks" herein.

## **FINANCIAL GUARANTY INSURANCE**

*The following information has been supplied by Radian Asset Assurance Inc. for inclusion in this Official Statement. No representation is made by the Agency or the Underwriters as to the accuracy or completeness of the information. See APPENDIX G – "FORM OF FINANCIAL GUARANTY INSURANCE POLICY" attached hereto.*

### **Description Of Financial Guaranty Insurance Policy**

A financial guaranty insurance policy for the Taxable Bonds and a financial guaranty insurance policy for the Tax-Exempt Bonds (each, the "Policy") will be issued by Radian Asset Assurance Inc. (the "Insurer") simultaneously with the issuance and delivery of the Taxable Bonds and the Tax Exempt-Bonds, respectively. The Policy is noncancelable during its term and provides for the prompt payment of principal of and interest on the related Bonds to the extent that Trustee, has not received sufficient funds from the Authority for payment of the related Bonds on the "due date." The Insurer is obligated to make the required payment on the later of the due date or the first business day after which the Insurer has received notice from The Bank of New York, as Insurance Trustee (the "Insurance Trustee"), that the Authority has failed to pay amounts due on the related Bonds. Under the Policy, the "due date" of the related Bonds, when referring to the payment of principal, means the stated maturity date thereof or the date on which payment of principal is due by reason of

mandatory sinking fund payments and does not mean any earlier date on which payment is due by reason of any call for redemption, acceleration, or other advancement of maturity, other than in the discretion of the Insurer. With respect to interest on the related Bonds, the "due date" means the stated date for payment of interest. The Policy guarantees reimbursement of any recovery of any such payment from a Holder or the Trustee pursuant to a final judgment by any court of competent jurisdiction holding that such payment constituted a voidable preference within the meaning of any applicable bankruptcy law.

For specific information on the coverage provided, reference should be made to the Policy that has been reproduced in specimen form in Appendix G hereto. The Policy does not insure against nonpayment of principal or interest on the related Bonds due to the insolvency, misconduct or negligence of the Trustee. The Policy does not insure the payment of any redemption premium.

### **Radian Asset Assurance Inc.**

Radian Asset Assurance Inc. (the "Insurer") is a monoline financial guaranty insurance company, regulated by the Insurance Department of the State of New York and licensed to do business in all 50 states, the District of Columbia, Guam and the United States Virgin Islands. As of March 31, 2007, the Insurer had total consolidated shareholders' equity of approximately \$1,662,290,000 and total consolidated assets of approximately \$2,698,676,000.

The financial information relating to the Insurer presented in this Official Statement was prepared internally by the Insurer, based on accounting principles generally accepted in the United States of America ("GAAP"), and has not been audited by independent auditors. The address of the Insurer's administrative office is 335 Madison Avenue, New York, New York 10017, and its telephone number is 212-983-5859.

The Insurer has filed the information contained in (i) – (ii) below with entities designated as Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, and such financial information is available through such NRMSIRs:

- (i) The Insurer's audited consolidated financial statements as of December 31, 2006 and 2005, and for each of the three years in the period ended December 31, 2006, prepared in accordance with GAAP, together with the accompanying report of the Insurer's independent registered public accounting firm, which expresses an unqualified opinion (the "Radian Financial Statements"); and
- (ii) The Insurer's quarterly unaudited consolidated balance sheet as of March 31, 2007 and unaudited consolidated statement of operations for the three-month period then ended, prepared in accordance with GAAP.

Additional information regarding the Insurer can be found in the following documents filed by the Insurer's ultimate parent, Radian Group Inc. ("Radian"), with the Securities and Exchange Commission: (a) Annual Report on Form 10-K for the year ended December 31, 2006, under the headings: (i) "Forward Looking Statements - Safe Harbor Statement" (but only insofar as it relates to the financial guaranty business or financial guaranty insurance); (ii) Item 1. Business "I. General" (but only insofar as it relates to the financial guaranty business or financial guaranty insurance), "Financial Guaranty Business (General)," including subsections 1-4 thereunder, "II. Risk in Force/Net Par Outstanding – B. Financial Guaranty (Risk in Force/Net Par Outstanding)," "III. Defaults and Claims – B. Financial Guaranty (Defaults and Claims)," "IV. Loss Management — B. Financial Guaranty (Loss Management)," V. Risk Management – B. Financial Guaranty (Risk Management), including subsections 1 and 2 thereunder, "VI. Customers – B. Financial Guaranty (Customers)," "VII. Sales and Marketing – Financial Guaranty (Sales and Marketing)," "VIII - Competition – Financial Guaranty(Competition)," "IX. Ratings" (but only insofar as it relates to the Insurer), and "XI Regulation" Parts A 2-6, C and D (but in each case only insofar as it relates to the Insurer or the financial guaranty business); (iii) "Item 1A – Risk Factors" "– Risks Affecting Our Company" (but only insofar as it relates to the Insurer, the financial guaranty business or the proposed merger between Radian and

MGIC (as defined below)) and “– Risks Particular to our Financial Guaranty Business”; (iv) “Item 6 - Selected Ratios - Financial Guaranty” and “Other Data - Financial Guaranty,” and (v) Item 7 Managements’ Discussion and Analysis of Financial Condition and Results of Operations “Business Summary – Financial Guaranty,” “Overview of Business Results” (but only insofar as it relates to the Insurer), “Results of Operations - Financial Guaranty” and “Liquidity and Capital Resources” (but only to the extent it relates to the Insurer), and “Critical Accounting Policies” (but only to the extent it relates to the Insurer, the financial guaranty business or “Financial Guaranty”); (b) Quarterly Report on Form 10-Q for the period ended March 31, 2007, in Part I, Item 2 – Managements’ Discussion and Analysis of Financial Condition and Results of Operations, under the following headings: “Business Summary – Financial Guaranty,” “Overview, of Business Results” (but only to the extent it relates to the Insurer), “Results of Operations – Financial Guaranty,” “Liquidity and Capital Resources” (but only to the extent it relates to the Insurer) and “Critical Accounting Policies” (but only to the extent it relates to “Financial Guaranty”); (c) the Reports on Form 8-K dated January 24, 2007, February 6, 2007, February 9, 2007, February 12, 2007, April 9, 2007, April 25, 2007 and May 11, 2007; and (d) Report on Form 8-K/A filed March 16, 2007 (amending Report on Form 8-K filed February 6, 2007).

A complete copy of the Radian Financial Statements is available from the Insurer upon written request.

The Insurer is an indirect, wholly owned subsidiary of Radian, a publicly owned corporation with its shares listed on the New York Stock Exchange (symbol “RDN”). Radian is a global credit risk management company headquartered in Philadelphia with significant operations in both New York and London. Radian develops innovative financial solutions by applying its core mortgage credit risk expertise and structured finance capabilities to the credit enhancement needs of the capital markets worldwide, primarily through credit insurance products. The company also provides credit enhancement for public finance and other corporate and consumer assets on both a direct and reinsurance basis and holds strategic interests in credit-based consumer asset businesses. **NONE OF RADIAN, RADIAN’S OTHER SUBSIDIARIES OR ANY OF RADIAN’S INVESTORS IS OBLIGATED TO PAY THE DEBTS OF OR CLAIMS AGAINST THE INSURER.**

On June 29, 2006, Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”) affirmed the Insurer’s “AA” financial strength rating and revised upward its outlook on the Insurer from “negative” to “stable.” The Insurer also has an insurance financial strength rating of “Aa3” (outlook: stable) from Moody’s Investors Service, Inc. (“Moody’s”) and a claims paying ability rating of “AA” (outlook: negative) from Fitch Ratings Services (“Fitch”). The ratings of S&P, Moody’s and Fitch reflect only the views of the applicable rating agency, respectively, do not constitute a recommendation to buy, sell or hold securities and are subject to revision or withdrawal at any time by such rating agencies. Any further explanation of any rating may be obtained only from the applicable rating agency. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guarantee the market price or investment value of the Bonds nor does it guarantee that the ratings on the Bonds will not be revised or withdrawn.

The Insurer is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York, its state of domicile. In addition, Radian and its insurance subsidiaries are subject to regulation by insurance laws of the various other jurisdictions in which they are licensed to do business. As a financial guaranty insurance corporation licensed to do business in the State of New York, the Insurer is subject to Article 69 of the New York Insurance Law which, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance and related business lines, requires that each financial guaranty insurer maintain a minimum surplus to policyholders, establishes contingency, loss and unearned premium reserve requirements for each financial guaranty insurer, and limits the size of individual transactions and the volume of transactions that may be underwritten by each financial guaranty insurer. Other provisions of the New York Insurance Law, applicable to non-life insurance companies such as the Insurer regulate, among other things, permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liability for borrowings.

Neither the Insurer nor any of its affiliates accepts any responsibility for the accuracy or completeness of, nor have they participated in the preparation of, this Official Statement or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information presented under the heading FINANCIAL GUARANTY INSURANCE" and as set forth in Appendix G of this Official Statement. The Insurer's role is limited to providing the coverage set forth in the Policy. In addition, the Insurer makes no representation regarding the Bonds or the advisability of purchasing the Bonds.

On February 6, 2007, Radian and MGIC Investment Corporation (NYSE: MTG) ("MGIC") entered into an Agreement and Plan of Merger, pursuant to which Radian has agreed, subject to the terms and conditions of the merger agreement, to merge with and into MGIC, with the combined company to be renamed MGIC Radian Financial Group Inc. Additional information regarding this merger may be found in a Current Report on Form 8-K of Radian filed on February 6, 2007 and the attachments thereto. The merger has been approved by each company's board of directors and shareholders and is currently expected to be completed late in the third quarter or early in the fourth quarter of 2007, subject to various regulatory approvals.

Upon completion of the merger, certain of the Insurer's reinsurance customers will have the right to recapture reinsurance business previously assumed by the Insurer. At March 31, 2007, the Insurer has assumed an aggregate of up to \$10.2 billion par in force and up to \$88.0 million of unearned premium reserves (on a statutory basis). If all this reinsurance business were recaptured, the Insurer estimates it would have to disburse \$63.4 million in cash to settle the recaptures. A small portion of this reinsurance business from these customers is not subject to recapture. The Insurer cannot provide any assurances as to whether the merger shall be consummated, and if so whether any or which of these customers will recapture all or any portion of this business upon consummation of the merger described above or the exact impact of the actual recapture, if any.

## **TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES**

### **General**

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies within the project area (the "Taxing Agencies") thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (the "tax increment") are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. The tax increment, however, may be subject to a number of claims and reductions which are prior to the pledge of the repayment of redevelopment agency indebtedness, including, among others, pass-through agreements with the Taxing Agencies and administrative charges by the County.

### **Article XIII A of State Constitution**

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2 percent per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2 percent per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic

downturn. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

### **Legislation Implementing Article XIII A**

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100 percent of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, two percent annual value growth) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization (“Unitary Property”) which is allocated by a different method. See “– Unitary Property” herein.

### **Article XIII B of State Constitution**

An initiative to amend the California constitution entitled “Limitation of Government Appropriations,” was approved on September 6, 1979, thereby adding Article XIII B to the California Constitution (“Article XIII B”). Under Article XIII B, as amended, state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.”

The Redevelopment Law provides that the allocation and payment of taxes to a redevelopment agency for the purpose of paying principal of or interest on loans, advances or indebtedness incurred for redevelopment activity shall not be deemed the receipt by the Agency of proceeds of taxes levied by or on behalf of an agency within the meaning or for the purpose of Article XIII B of the State Constitution, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purposes of Article XIII B of the State Constitution or any statutory provision enacted in implementation of Article XIII B.

### **Unitary Property**

Assessed value derived from utility property assessed by the State Board of Equalization are allocated to each taxing entity in the County in the following manner (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to two percent, (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity’s share would be reduced pro-rata county wide, and (3) any increase in revenue above two percent would be allocated in the same proportion as the taxing entity’s local secured taxable values are to the local secured taxable values of the County. The portion of tax revenues allocable to the Agency with respect to the Redevelopment Project Areas and attributable to unitary property for fiscal year 2006-07 is expected to be \$4,237 for the Southcrest Redevelopment Project Area, \$581 for the Central Imperial Redevelopment Project Area and \$7,661 for the Mount Hope Redevelopment Project Area.

### **Property Tax Collection Procedures**

For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing state-assessed public utilities property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.” A tax levied on unsecured property does not become a lien against the

unsecured property but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has a priority over all other liens arising pursuant to California law on the secured property, regardless of the time of creation of the other liens.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of the delinquent taxes and delinquent penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector. Current law provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on the following August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1-1/2% per month begins to accrue on the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recording in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The County offered an alternative method of tax apportionment pursuant to Section 4701 of the Revenue and Taxation Code of the State, known as the "Teeter Plan," to all taxing agencies, districts, redevelopment agencies and non-county treasury legal depositories in the County. Participating entities are held harmless from property tax payment delinquencies in their jurisdictions in exchange for County retention of penalties and interest income derived when delinquent taxes are eventually paid. Tax revenues allocated to local entities continue to reflect adjustments to the tax roll and property tax refunds. The Agency does not participate in the County's Teeter Plan. See "RISK FACTORS – Property Tax Payment Delinquencies" herein.

### **Plan Limitations**

Provisions of the Redevelopment Law and the Redevelopment Plans establish various time limits for undertaking redevelopment activities and for repaying debt incurred to finance redevelopment projects in the respective Redevelopment Project Areas. These time limits for the Redevelopment Project Areas are set forth in Table 1 below. Pursuant to Senate Bill 211, the City Council adopted Ordinance Nos. O-19417 and O-19484 which eliminated the time limits for incurring debt that previously applied to the Mount Hope Redevelopment Project Area and the Southcrest Redevelopment Project Area. Pursuant to Senate Bill 1045, adopted in connection with the approval of the State Budget for Fiscal Year 2003-04, redevelopment agencies are permitted to extend the effective date of their redevelopment plans and the date to receive tax increment revenues by one year. The Agency is expecting to extend each of the Mount Hope Redevelopment Project Area and the Southcrest Redevelopment Project Area redevelopment plan time limits by one year. In addition, pursuant to Senate Bill 1096, adopted in connection with the approval of the State Budget for Fiscal Year 2004-05, the Agency expects to extend the effective date of the Mount Hope Redevelopment Plan and the date to receive its tax increment revenues by two years. See "RISK FACTORS – Educational Revenue Augmentation Fund" herein.

The Agency may not receive and may not repay indebtedness with the proceeds from property taxes received pursuant to Section 33670 of the Redevelopment Law and the Redevelopment Plans beyond their respective termination dates, except to repay debt established in order to fulfill the Agency's affordable

housing obligations under Section 33333.8(a) of the Redevelopment Law. There is presently no such outstanding debt.

Pursuant to each Redevelopment Plan, there is a maximum amount of tax increment that the Agency may receive from the respective Redevelopment Project Area, and a maximum amount of outstanding bonded indebtedness that is payable from tax increment in the respective Redevelopment Project Area. These limits are listed in Table 1 below. Payments to the Educational Revenue Augmentation Fund are not included in this tax increment limitation. See “RISK FACTORS – Educational Revenue Augmentation Fund” herein.

**Table 1**  
**Redevelopment Agency of the City of San Diego**  
**Southeastern Economic Redevelopment Corporation**  
**Plan Limitations for Project Areas<sup>(1)</sup>**

Project Area	Adoption Date	Outstanding Bonded Indebtedness Limit	Tax Increment Revenue Limit	Tax Increment Received to Date <sup>(2)</sup>	Plan Expiration	Last Date to Receive Tax Increment
Southcrest	4/14/1986	\$26,100,000	\$ 87,000,000	\$ 9,062,754	4/14/2026	4/14/2036
Central Imperial (Original)	9/14/1992	46,200,000	142,000,000	6,157,071	9/14/2032	9/14/2042
- Amendment 2	12/10/1996	— <sup>(3)</sup>	— <sup>(3)</sup>	— <sup>(3)</sup>	12/10/2026	12/10/2041
- Amendment 3	10/24/2000	— <sup>(3)</sup>	20,000,000	702,692	10/24/2030	10/24/2045
Mount Hope	11/22/1982	14,200,000	47,000,000	15,128,090	11/22/2022	11/22/2032

<sup>(1)</sup> As discussed above and below, the Agency is pursuing increasing the Tax Increment Redevelopment Limit for each Redevelopment Project Area and to extend the Plan Expiration and Last Day to Receive Tax Increment for the Southcrest Redevelopment Project Area and Mount Hope Redevelopment Project Area.

<sup>(2)</sup> As of June 30, 2006.

<sup>(3)</sup> See "Central Imperial (Original)" in table for the combined total for the Amendment and original Central Imperial Redevelopment Project Area.

Source: Appendix A – “Report of the Fiscal Consultant” attached hereto.

The scheduled debt service on the Bonds is based on the assumption of a 2% annual increase in tax increment receipts in each respective Redevelopment Project Area. However, over the last several years the assessed valuation growth in each Redevelopment Project Area exceeded this assumed 2% growth. Furthermore, depending on the rate of increase in the assessed value of property in the Redevelopment Project Areas, the Agency may reach the Tax Increment Limit for one or more of the Redevelopment Project Areas prior to the payment in full of the Bonds. The annual average real property growth rate over the previous 10 years was approximately 9% for the Mount Hope Redevelopment Project Area, 19% for the Southcrest Redevelopment Project Area and 14% for the original Central Imperial Redevelopment Project Area together with the Central Imperial Redevelopment Area (Amendment No. 2 Area). The annual average growth rate was approximately 8% for the Central Imperial Redevelopment Area (Amendment No. 3 Area) over the last 4 years. This rate of growth may not continue, and it is possible for one or more of the Redevelopment Project Areas to experience a decline in assessed value in the future. See “RISK FACTORS – Tax Increment Estimates” and “– Reduction in Assessed Value” herein. Based on the assumption that future growth matches the growth rates described above, the Agency projects that the tax increment limit will be reached during Fiscal Year 2022-23 for the Central Imperial Redevelopment Project Area (Original and Amendment No. 2 Area), during Fiscal Year 2032-33 for the Central Imperial Redevelopment Project Area (Amendment No. 3 Area), during Fiscal Year 2017-18 for the Southcrest Redevelopment Project Area, and during Fiscal Year 2018-2019 for the Mount Hope Redevelopment Project Area.

The Agency is pursuing amendments to the Redevelopment Plan for each Redevelopment Project Area to increase the respective tax increment limits to an amount expected to be sufficient, based on the historical growth rates described above, to meet the scheduled debt service requirements under the respective Loan Agreements while the Bonds are scheduled to be outstanding. The proposed amendments to the Redevelopment Plans would require public hearings and various governmental approvals. No assurance is made by the Agency that any or all of such Redevelopment Plans will be amended to increase its respective tax increment limitation or that, if amended, that any of such revised tax increment limits will be sufficient to pay the Bonds as scheduled if growth rates in assessed value exceed the rates assumed by the Agency in determining the new proposed tax increment limit for a Redevelopment Project Area.

Under each Loan Agreement, the Agency agrees to annually review the total amount of Tax Revenues remaining to be received by the Agency under the Tax Increment Limitation for the respective Redevelopment Project Area, without deduction for any amounts reserved to taxing entities under Health and Safety Code Sections 33676, 33607.5 and 33607.7 or under other provisions of Redevelopment Law, and to annually review future cumulative Annual Debt Service and future cumulative payments reserved to taxing entities under Health and Safety Code Sections 33676, 33607.5 and 33607.7 (or under other provisions of Redevelopment Law). The Agency has covenanted not to accept Tax Revenues or incur additional obligations payable from Tax Revenues, if such acceptance or incurrence will cause the amount remaining under the Tax Increment Limitation to fall below 110% of remaining aggregate cumulative debt service on all of the Agency's Bonds payable from such Redevelopment Project Area, estimated future aggregate payments reserved to the taxing entities under Health and Safety Code Sections 33676, 33607.5 and 33607.7 or under other provisions of Redevelopment Law and other indebtedness established pursuant to Section 33333.2 of the Redevelopment Law, except for the purpose of depositing such revenues in escrow for future debt service payment with respect to such Bonds, payments to such taxing entities or other indebtedness. See "SECURITY FOR THE BONDS – Pledge under the Loan Agreements" and "RISK FACTORS – Tax Increment Estimates" herein and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto.

### **Filing of Agency Indebtedness**

Section 33675 of the Redevelopment Law provides for the filing not later than the first day of October of each year with the county auditor of a statement of indebtedness certified by the chief fiscal officer of the agency for each redevelopment project that receives tax increment. The statement of indebtedness is required to contain the date on which any bonds were delivered, the principal amount, term, purpose and interest rate of bonds and the outstanding balance on bonds. Similar information must be given for each loan, advance or indebtedness that the agency has incurred or entered into to be payable from tax increment.

Section 33675 also provides that the county auditor is limited in payment of tax increment to the agency to the amounts shown on the agency's statement of indebtedness. This law further provides that the statement of indebtedness is *prima facie* evidence of the indebtedness of the agency, but that the county auditor may dispute the amount of indebtedness shown on the statement in certain cases. Provision is made for time limits under which the dispute can be made by the county auditor as well as provisions for determination by the Superior Court in a declaratory relief action of the property disposition of the matter. The issue in any such action must involve only the amount of the indebtedness and not the validity of any contract or debt instrument, or any expenditures pursuant thereto. An exception is made for payments to a public agency in connection with payments by such public agency pursuant to a bond issue which shall not be disputed in any action under Section 33675.

### **Property Tax Administrative Charges**

Counties are allowed to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. The property tax administrative charges are included as a deduction to tax increment revenues. See APPENDIX A – "REPORT OF THE FISCAL CONSULTANT" attached hereto.

## **Pass-Through Agreements**

Prior to the adoption of Section 33607.5 of the Redevelopment Law, a redevelopment agency was authorized to enter into an agreement to pay tax increment revenues to any taxing agency that had territory located within a redevelopment project area in an amount which in the agency's determination was appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provided for a pass-through of tax increment revenues directly to the affected taxing agency, and, therefore, are commonly referred to as "pass-through agreements."

Three affected taxing entities, the San Diego Unified School District, the San Diego Office of Education and the San Diego Community College District, made a determination that the Plan would have an adverse fiscal impact during the fiscal review period for the original Central Imperial Redevelopment Plan. To mitigate this impact, the Agency agreed to pay a portion of the tax increment revenues from the original Central Imperial Redevelopment Project Area to the taxing entities. These agreements are collectively referred to as the "Pass-Through Agreements." Each of the Pass-Through Agreements is subordinate to the payment of debt service on the certain Agency obligations relating to the Central Imperial Redevelopment Project Area, including the payments due under the Central Imperial Loan Agreement. See APPENDIX A – "REPORT OF THE FISCAL CONSULTANT" attached hereto.

## **Statutory Pass-Through Payments**

Section 33607.5 of the Redevelopment Law repealed the provisions that enabled pass-through agreements, although existing pass-through agreements remain in place. Section 33607.5 replaces the payments from new pass-through agreements with a statutory tax increment sharing formula for all redevelopment project areas established on or after January 1, 1994 and requires statutory pass-through payments ("Statutory Pass-through Payments") to all taxing entities. Statutory Pass-through Payments are paid based on increases in revenue calculated pursuant to a statutory formula at several points in time over the term of a project area's receipt of tax increment. See APPENDIX A – "REPORT OF THE FISCAL CONSULTANT" attached hereto.

The area added by Amendment No. 2 and area added by Amendment No. 3 to the Central Imperial Redevelopment Area are each subject to the statutory pass through requirements of Section 33607.5, which provides for Statutory Pass-through Payments to be made by the Agency to affected taxing entities. The amount of Statutory Pass-through Payments under Section 33607.5 are computed as follows: (1) from the first fiscal year in which the Agency receives tax increment until the last fiscal year in which the Agency receives the tax increment, 25% of the tax increments are passed through to the entities (net of the 20% Housing set aside); (2) commencing in the eleventh year, an additional 21% of the tax increment in excess of the tenth year tax increment is passed through to the entities (net of the 20% housing set aside); and (3) commencing in the thirty first year, an additional 14% of the tax increment in excess of the thirtieth year tax increment is passed through to the entities (net of the 20% housing set aside). For fiscal year 2006-07, tax increment revenues in the amount of approximately \$145,000 for the Central Imperial Redevelopment Project Area are to be paid to taxing agencies as a result of statutory pass-through allocations. See APPENDIX A – "REPORT OF THE FISCAL CONSULTANT".

Section 33607.7 was subsequently added to the Redevelopment Law to provide for Statutory Pass-through Payments to affected taxing entities that do not have existing tax sharing agreements if a redevelopment plan adopted prior to January 1, 1994 is amended to eliminate its time limit on the establishing of loans, advances and indebtedness. In determining the applicable amount of Statutory Pass-through Payments under this law, the first fiscal year of payment shall be the first fiscal year following the fiscal year in which the adjusted base year value is determined. The adjusted base year value is the value of the Project Area in the year in which the limit being amended would have taken effect without the amendment.

The amount of Statutory Pass-through Payments under Section 33607.7 are computed as follows: (1) commencing from the first fiscal year in which the debt incurrence time limitation would have taken effect without the amendment (the adjusted base year), 25% of the tax increments are passed through to the entities (net of the 20% Housing set aside); (2) commencing in the eleventh year, an additional 21% of the tax increment in excess of the tenth year tax increment is passed through to the entities (net of the 20% housing set aside); and (3) commencing in the thirty first year, an additional 14% of the tax increment in excess of the thirtieth year tax increment is passed through to the entities (net of the 20% housing set aside).

Statutory pass through obligations under Section 33607.7 were triggered by the Agency's adoption of Ordinances 19484 and 19417, to eliminate the debt incurrence time limit for the Southcrest Redevelopment Project Area and Mount Hope Redevelopment Project Area, pursuant to SB 211. For fiscal year 2006-07, tax increment revenues in the amount of approximately \$69,000 for the Southcrest Redevelopment Project Area and \$66,000 for the Mount Hope Redevelopment Project Area are to be paid to taxing agencies as a result of statutory pass-through allocations. See APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto.

The Statutory Pass-through Payments may be subordinated to payments due on indebtedness (including the payments due under the Loan Agreements) if the Agency requests an affected taxing entity to subordinate the Statutory Pass-through Payments and the Agency provides the affected taxing with substantial evidence that sufficient funds will be available to pay both the debt service and the Statutory Pass-through Payments, when due. The affected taxing entity must approve or disapprove the request for subordination within 45 days of the Agency's request, and if the affected taxing entity does not act on the request within 45 days, the subordination request is deemed to be approved. The Agency sent letters and provided evidence that sufficient funds will be available to pay debt service due on under the Loan Agreements and other applicable indebtedness of the Agency and the Statutory Pass-through Payments to the taxing entities entitled to Statutory Pass-through Payments. The Agency has received confirmation of subordination from taxing agencies that are entitled to approximately 99% of the total Statutory Pass-through Payments payable from the Redevelopment Project Areas. The Agency expects to obtain subordination of the Statutory Pass-through Payments from the remaining affected taxing entities, although the Agency can not guarantee this result.

The tables under “SOUTHCREST REDEVELOPMENT PROJECT AREA – Projected Tax Revenues”, “CENTRAL IMPERIAL REDEVELOPMENT PROJECT AREA – Projected Tax Revenues” and “MOUNT HOPE REDEVELOPMENT PROJECT AREA – Projected Tax Revenues” assume that the Statutory Pass-through Payments have not been subordinated.

### **Section 33676 Resolutions**

Pursuant to Section 33676 of the Redevelopment Law, the County, the San Diego Unified School District and the San Diego Community College District have elected to be allocated a portion of tax increment revenues generated by the Southcrest Redevelopment Project Area and the original Central Imperial Redevelopment Project Area attributable to increases in their override tax rates, and increases in the assessed value of taxable property in the Southcrest Redevelopment Project Area and the original Central Imperial Redevelopment Project Area attributable to a maximum annual inflationary growth of 2 percent allowed by Article XIII A of the California Constitution. Allocations resulting from the inflationary increase in value are computed by the County by compounding the base year value of a redevelopment project by two percent per year and allocating to the electing taxing entity its share of base levy (1%) taxes generated by the difference between the compounded and actual base year value. Payments are paid to these entities prior to the allocation of Southcrest Redevelopment Project Area Tax Revenues and original Central Imperial Redevelopment Project Area Tax Revenues to the Agency. For fiscal year 2006-07, these payments totaled \$168,665 from the Southcrest Redevelopment Project Area and \$87,000 from the original Central Imperial Redevelopment Project Area. See APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto.

### **Low and Moderate Income Housing Set-Aside**

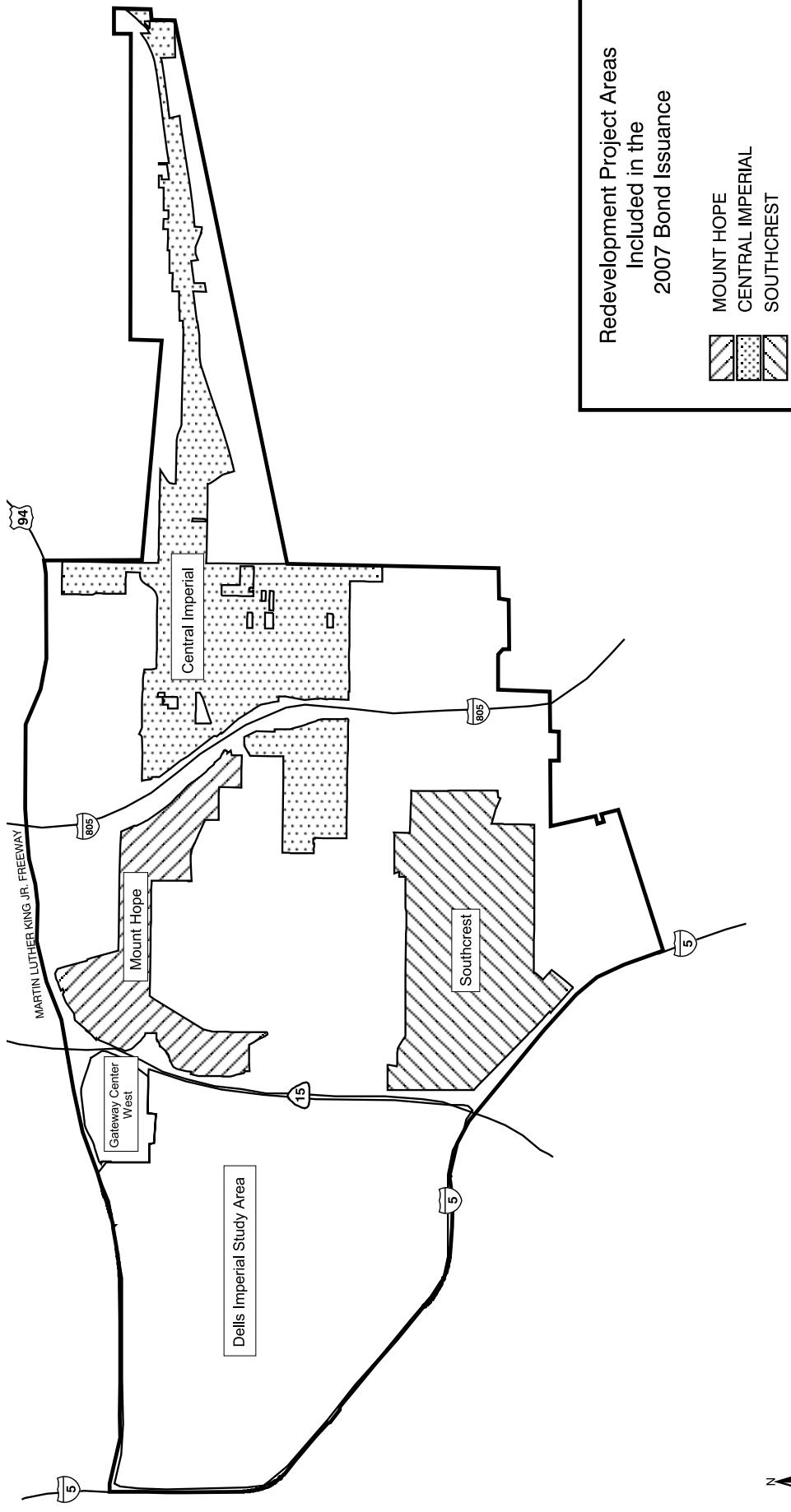
The Redevelopment Law requires that except under certain circumstances, redevelopment agencies set aside 20% of all gross tax increment derived from redevelopment project areas into a low and moderate income housing fund, to be used for the purpose of increasing, improving and preserving the community's supply of low and moderate income housing. Housing Set-Aside Amounts are pledged to and are available to pay 20% of the debt service on the Bonds. A portion of the proceeds of the Bonds is to be deposited into the Agency's Low and Moderate Income Housing Fund. See "SECURITY FOR THE BONDS", and APPENDIX A – "REPORT OF THE FISCAL CONSULTANT" attached hereto.

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# SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION AREA OF INFLUENCE



Scale: 1"=3000'



## SOUTHCREST REDEVELOPMENT PROJECT AREA

### General

The Southcrest Redevelopment Project Area was formally created with the adoption of the Southcrest Plan on April 14, 1986 by Ordinance No. 16622. The redevelopment plan for the Southcrest Project Area was approved by the City Council pursuant to Ordinance No. 16622, finally adopted on April 14, 1986. As described in the Southcrest Redevelopment Plan, the principal redevelopment goal for this area is to revitalize deteriorating commercial and residential areas, redevelop the rescinded Highway 252 corridor, and provide business and employment opportunities for the residents of the southeastern community.

The Southcrest Redevelopment Project Area encompasses approximately 301 acres in the southeastern area of the City of San Diego. The Southcrest Redevelopment Project Area is bordered on the west by State Route 15 and Interstate 5, to the east by 44th Street, to the south by Gamma and Vesta Streets and to the north by Logan Avenue. The Southcrest Redevelopment Project Area, encompasses a variety of land uses including residential, commercial and business park property, park space and open space.

### Historical and Current Development

The Southcrest Park Plaza retail and commercial development was completed in 1995 and includes Lucky's Foods, Sav-On, Pep Boys, other neighborhood small businesses and the Southcrest Cultural Arts Center. In 1998, Phase I of the Southcrest Park Estates residential development was completed, providing 33 affordable, single-family, three- and four-bedroom homes. The 38th Street Development provided four affordable single-family homes and Boston Village provided 12 affordable single-family homes. Construction of the design award-winning Cesar Chavez Elementary School was completed in 1997.

Southcrest Park Estates Phase II was completed in 2004, providing an additional 62 moderately-priced, single-family, three and four-bedroom homes with both price and owner occupancy restrictions. These units were the lowest priced new homes sold in San Diego County during 2004 and 2005. Ten of the homes are restricted for 45 years to affordability to low-to-moderate income households, which is consistent with the Agency's inclusionary requirements. A 10 year owner-occupancy restriction applies to all 62 homes to help maintain neighborhood stability.

In 2004, the Agency entered into an Owner Participation Agreement with the Olson Company for the development of 110 town homes, Legacy Walk, on an approximate 6 acre site located at 43rd Street and National Avenue. Construction of the town homes began in 2005, and over seventy-five percent of the units have been constructed and sold to date (but only six of which have been reflected on the 2006-07 tax roll). Eleven of the homes built on-site have prices restricted for affordable to families earning up to 100% of area median income in compliance with the City's Inclusionary Housing Program. All 110 homes are restricted as owner-occupied for a period of ten years.

There are a number of new developments occurring in the Southcrest Redevelopment Project Area that are anticipated to add assessed value and generate additional tax increment for the Agency within the next five years. The following summarizes these new developments. Except for completed projects there can be no guaranty that the projects will be completed as, or in the timeframe, proposed.

	<u>Development Scope</u>	<u>Estimated Real Property Added Value</u>	<u>Estimated Timing on County Tax Roll</u>
Legacy Walk	104 Dwelling Units	\$44,720,000	FY 2007-08 and 2008-09
Northgate Supermarket	Renovation	1,000,000	FY 2007-08

## **Plan Limitations**

The Southcrest Redevelopment Plan establishes various time limits for undertaking redevelopment activities and for repaying debt incurred to finance redevelopment projects in the Southcrest Redevelopment Project Area. See "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Plan Limitations" for a description of these limitations.

## **Outstanding Debt**

As of the date of issuance of the Bonds, there will be no bonded indebtedness (except for the Loan related to the Southcrest Redevelopment Project Area) secured by tax increment generated from the Southcrest Redevelopment Project Area. See "PLAN OF FINANCE" herein.

The Agency has entered into long-term loans with the City in the aggregate amount of approximately \$18,807,764 that are payable from tax increment generated from the Southcrest Redevelopment Project Area on a basis subordinate to the Loans. The Agency also has other miscellaneous obligations in the aggregate amount of \$35,623 payable from tax increment generated from the Southcrest Redevelopment Project Area. These loans and other obligations may not be accelerated in a manner which may adversely affect the payment of debt service on the Loan related to the Southcrest Redevelopment Project Area.

Tax increment from the Southcrest Redevelopment Project Area is subject to certain pass-through agreements and statutory tax sharing. See "SECURITY FOR THE BONDS", "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES" herein and APPENDIX A – "REPORT OF THE FISCAL CONSULTANT" attached hereto.

## **Tax Rate**

The tax rate for the Southcrest Redevelopment Project Area for fiscal year 2005-06 was 1.010213%. For historical tax rates, see APPENDIX A – "REPORT OF THE FISCAL CONSULTANT" attached hereto. The projections herein and in the Report of the Fiscal Consultant assume a tax rate of 1.00%.

## **Ten Largest Assessee**

The table below sets forth the ten largest assessees in the Southcrest Redevelopment Project Area. The cumulative taxable value of the ten largest assessees is \$35,739,619, which represents approximately 15.32% of the total taxable value of the Southcrest Redevelopment Project Area and 19.00% of the incremental value of the Southcrest Redevelopment Project Area. The taxable value of the largest assessee, Olson 737 - San Diego 6 LLC, represents approximately 6.45% of the total taxable value in the Southcrest Redevelopment Project Area. The Olson 737 properties consists of residential housing and of the 104 parcels listed in the table below, 65 parcels have completed units which have been sold, 17 parcels have completed units waiting to be sold and 22 parcels have home construction that is expected to be completed during fiscal years 2007-08 and 2008-09. See "Historical and Current Development" above.

The largest assessees in the Southcrest Redevelopment Project Area change from time to time. See "SOUTHCREST REDEVELOPMENT PROJECT AREA – Estimated Tax Revenues, Debt Service and Coverage" and "RISK FACTORS – Tax Increment Estimates" herein.

**Table 2**  
**Redevelopment Agency of the City of San Diego**  
**Southercrest Redevelopment Project**  
**Ten Largest Assesseees**  
**Fiscal Year 2006-07**

<b>Rank</b>	<b>Major Assessee</b>	<b>No. of Parcels</b>	<b>Use</b>	<b>2006-07 Value</b>	<b>% of Project Value<sup>(1)</sup></b>	<b>% of Tax Increment Total<sup>(2)</sup></b>
1.	Olson 737 - San Diego 6 LLC <sup>(3)</sup>	104	Multi-Family Residential/ Vacant Residential	\$15,037,756	6.45%	7.99%
2.	Gon-Rey LP	1	Com - Drug Store	5,530,000	2.37	2.94
3.	Gordon Family Trust	5	Com - Community Shopping Center	2,374,210	1.02	1.26
4.	Somo Revocable Family Trust	1	Com - Store	2,165,000	0.93	1.15
5.	American Stores Properties Inc.	1	Com - Community Shopping Center	1,950,216	0.84	1.04
6.	Ajalat-Salamy	7	Com - Community Shopping Center	1,924,146	0.82	1.02
7.	Gluck Laverne Living Trust	1	Com - Community Shopping Center	1,846,710	0.79	0.98
8.	National Avenue LLC	8	Multi-Family Residential	1,764,184	0.76	0.94
9.	Buncom Frank J	19	Multi-Family Residential	1,597,397	0.68	0.85
10.	L X J Condominiums LLC	2	Multi-Family Residential	<u>1,550,000</u>	<u>0.66</u>	<u>0.82</u>
Total		149		\$35,739,619	15.32%	19.00%

<sup>(1)</sup> Based on reported Fiscal Year 2006-07 value of \$233,283,072.

<sup>(2)</sup> Based on reported Fiscal Year 2006-07 tax increment value of \$188,135,015.

<sup>(3)</sup> Consists of 65 parcels with completed units which have been sold, 17 parcels with completed units waiting to be sold and 22 parcels with home construction that is expected to be completed during fiscal years 2007-08 and 2008-09. See “– Historical and Current Development” above.

Source: Appendix A – “Report of the Fiscal Consultant” attached hereto.

## **Southcrest Redevelopment Project Area Taxable Value**

The Southcrest Redevelopment Project Area's base year assessed valuation is \$45,148,057. The total incremental value for Fiscal Year 2006-07 is \$188,135,015. The table below provides a summary of Southcrest Redevelopment Project Area Taxable Values for Fiscal Years 2002-03 through 2006-07.

**Table 3**  
**Redevelopment Agency of the City of San Diego**  
**Southcrest Redevelopment Project Area**  
**Taxable Value**  
**Fiscal Years 2002-03 through 2006-07**  
**(In Thousands)**

	<b><u>2002-03</u></b>	<b><u>2003-04</u></b>	<b><u>2004-05</u></b>	<b><u>2005-06</u></b>	<b><u>2006-07</u></b>
<b>Secured:</b>					
Land	\$47,883,347	\$52,551,454	\$64,849,795	\$84,291,447	\$108,640,835
Improvement	72,952,661	79,442,394	93,132,432	120,880,530	137,607,969
Personal Property	22,452	19,056	19,463	7,468	7,468
Less: Exemptions	<u>(6,569,304)</u>	<u>(8,771,971)</u>	<u>(7,737,932)</u>	<u>(14,993,304)</u>	<u>(15,827,121)</u>
Total Secured	\$114,289,156	\$123,240,933	\$150,263,758	\$190,186,141	\$230,429,151
<b>Unsecured:</b>					
Improvement	\$2,181,760	\$2,104,108	\$1,723,985	\$1,987,706	\$1,462,984
Personal Property	2,466,797	2,453,062	2,029,450	2,170,731	1,424,766
Less: Exemptions	<u>(0)</u>	<u>(18,756)</u>	<u>(139,142)</u>	<u>(72,710)</u>	<u>(33,829)</u>
Total Unsecured	\$4,648,557	\$4,538,414	\$3,614,293	\$4,085,727	\$2,853,921
<b>TOTAL PROJECT VALUE</b>	<b>\$118,937,713</b>	<b>\$127,779,347</b>	<b>\$153,878,051</b>	<b>\$194,271,868</b>	<b>\$233,283,072</b>
Percentage Increase	--	7.43%	20.42%	26.25%	20.08%
<b>BASE YEAR VALUE</b>	<b>\$45,148,057</b>	<b>\$45,148,057</b>	<b>\$45,148,057</b>	<b>\$45,148,057</b>	<b>\$45,148,057</b>
<b>INCREMENTAL VALUE</b>	<b>\$73,789,656</b>	<b>\$82,631,290</b>	<b>\$108,729,994</b>	<b>\$149,123,811</b>	<b>\$188,135,015</b>

Source: Appendix A – “Report of the Fiscal Consultant” attached hereto.

## **Assessment Appeals**

Property owners in the City can appeal the assessment of their property to the County Assessment Appeals Board. Property taxable values may be reduced as a result of a successful appeal of the taxable value of property determined by the County Assessor. An appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant property owner. The Fiscal Consultant researched the status of assessment appeals in the Redevelopment Project Areas with the County and determined that for fiscal year 2006-07 no appeals has been filed and for fiscal year 2005-06 there were 6 appeals, 5 of which were withdrawn and 1 resolved with no change in value. The Fiscal Consultant has not made any adjustments for appeals in the projections under “Projected Tax Revenues” below or in the Report of the Fiscal Consultant. See “RISK FACTORS – Assessment Appeals” herein and APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto.

### **County Allocation Adjustments and Percentage Collections**

The following table sets forth the percentage of Tax Revenues collections for the Southcrest Redevelopment Project Area.

**Table 4**  
**Redevelopment Agency of the City of San Diego**  
**Southcrest Redevelopment Project Area**  
**Tax Revenues Collections**

<b><u>Fiscal Year</u></b>	<b><u>Tax Revenues Collections</u></b>
2005-06	97.98%
2004-05	98.48
2003-04	98.71
2002-03	98.38
2001-02	98.28

Source: Appendix A – “Report of the Fiscal Consultant” attached hereto.

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## Projected Tax Revenues

The following table sets forth projected Tax Revenues for the Southcrest Redevelopment Project Area for the Fiscal Years 2006-07 through 2010-11. While the projections are based on assumptions which are believed by the Fiscal Consultant to be reasonable, there can be no assurance that such projections will be realized. The material assumptions with respect to the projected Tax Revenues are set forth in the footnotes to the table. See "RISK FACTORS" herein and APPENDIX A – "REPORT OF THE FISCAL CONSULTANT" attached hereto.

**Table 5**  
**Redevelopment Agency of the City of San Diego**  
**Southcrest Redevelopment Project Area**  
**Projected Tax Revenues**  
**(In Thousands)**

	Reported 2006-07	2007-08	2008-09	2009-10	2010-11
<b>I. Real Property Value</b>	\$230,422	\$230,422	\$262,862	\$286,007	\$291,728
Prop 13 Inflationary Growth <sup>(1)</sup>	0	4,608	5,257	5,720	5,835
New Development Value Added <sup>(2)</sup>	0	27,832	17,888	0	0
Total Real Property Value	\$230,422	\$262,862	\$286,007	\$291,728	\$297,562
<b>II. Personal Property</b>	\$2,861	\$2,861	\$2,861	\$2,861	\$2,861
New Development Value Added <sup>(2)</sup>	0	0	0	0	0
Total Personal Property Value	\$2,861	\$2,861	\$2,861	\$2,861	\$2,861
<b>III. Total Project Value</b>	\$233,283	\$265,724	\$288,869	\$294,589	\$300,423
Less Base Value	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)
Incremental Value	\$188,135	\$220,575	\$243,721	\$249,441	\$255,275
<b>IV. Gross Tax Revenue</b>	\$1,881	\$2,206	\$2,437	\$2,494	\$2,553
Unitary Tax Revenue	4	4	4	4	4
Tax Sharing (H&S 33676)	(169)	(172)	(175)	(179)	(183)
TI in Excess of Revenue Cap	0	0	0	0	0
Subtotal	\$1,717	\$2,038	\$2,266	\$2,320	\$2,374
County Admin Charge	(\$14)	(\$16)	(\$18)	(\$19)	(\$19)
Total Gross Tax Increment	\$1,703	\$2,022	\$2,248	\$2,301	\$2,355
<b>V. Net Tax Increment (Non-Housing)</b>	\$1,360	\$1,614	\$1,795	\$1,837	\$1,881
<b>Housing Set Aside</b>	\$343	\$408	\$453	\$464	\$475
SB 211 Statutory Pass Through <sup>(3)</sup>	(\$69)	(\$133)	(\$179)	(\$189)	(\$200)
Net Tax Increment After Tax Sharing	\$1,291	\$1,481	\$1,616	\$1,648	\$1,680

<sup>(1)</sup> Assumes 2% assessed valuation growth.

<sup>(2)</sup> Assumes completion of the current developments as described under "– Historical and Current Development" above.

<sup>(3)</sup> Substantially subordinated to payments due under the Loan Agreements. See "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Statutory Pass-Through Payments" herein.

Source: Appendix A – "Report of the Fiscal Consultant" attached hereto.

## **Estimated Tax Revenues, Debt Service and Coverage**

Table 6 sets forth the estimated tax revenues, debt service and estimated coverage for payments due under the Southcrest Loan Agreement. The estimated tax revenues assume a 2% assessed valuation growth and that the new development described in the table under “SOUTHCREST REDEVELOPMENT PROJECT AREA – Historical and Current Development” has been completed as described above.

**Table 6**  
**Redevelopment Agency of the City of San Diego**  
**Southcrest Redevelopment Project Area**  
**Projected Debt Service Coverage**

<u>Bond Year ending October 1</u>	<u>Tax Revenues<sup>(1)</sup></u>	<u>Debt Service on 2007 Southcrest Loan</u>	<u>Debt Service Coverage</u>
2007	\$1,634,504	\$ 733,377	2.23x
2008	1,888,762	1,252,152	1.51x
2009	2,069,349	1,246,257	1.66x
2010	2,111,874	1,249,767	1.69x
2011	2,155,248	1,257,427	1.71x
2012	2,199,491	1,253,854	1.75x
2013	2,244,618	1,250,027	1.80x
2014	2,290,648	1,260,079	1.82x
2015	2,337,598	1,263,712	1.85x
2016	2,385,487	1,255,762	1.90x
2017	2,423,973	1,261,772	1.92x
2018	2,463,228	1,266,090	1.95x
2019	2,503,269	1,267,545	1.97x
2020	2,544,110	1,265,213	2.01x
2021	2,585,768	1,255,783	2.06x
2022	2,628,260	1,259,885	2.09x
2023	2,671,601	1,261,688	2.12x
2024	2,715,809	1,259,793	2.16x
2025	2,760,901	1,265,518	2.18x
2026	2,806,895	1,263,268	2.22x
2027	2,853,809	1,258,305	2.27x
2028	2,901,661	1,260,630	2.30x
2029	2,950,470	1,264,648	2.33x
2030	3,000,255	1,260,095	2.38x
2031	3,051,036	1,257,235	2.43x
2032	3,102,833	1,260,735	2.46x

<sup>(1)</sup> Projections assume, among other things, a 2% assessed valuation growth and no subordination of the Statutory Pass-through Payments due to taxing agencies. See “TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Statutory Pass-Through Payments” herein.

## **CENTRAL IMPERIAL REDEVELOPMENT PROJECT AREA**

### **General**

The redevelopment plan for the Central Imperial Redevelopment Project Area (the “Central Imperial Redevelopment Plan”) was approved by the City Council pursuant to Ordinance No. 0-17831, finally adopted on September 14, 1992, as amended by Ordinance No. 0-18252, finally adopted on January 18, 1996, as further amended by Ordinance No. 0-18367, finally adopted on December 10, 1996, which expanded the Central Imperial Project Area to include approximately 115 additional acres on the west side of Interstate 805 (the “Expansion Area”) and as further amended by Ordinance No. 0-18882, finally adopted on October 24, 2000. As described in the Central Imperial Redevelopment Plan, the principal redevelopment goal for this area is to improve and rehabilitate property, to provide incentives for development of property and employment opportunities, and to increase communication relating to such redevelopment activities among the residents.

The Central Imperial Redevelopment Project Area encompasses approximately 580 acres in the Southeastern area of the City. The portion of the Central Imperial Redevelopment Project Area that is located west of Interstate 805 (constituting most of the Expansion Area) is generally bounded east of 41st Street, north of Ocean View Boulevard and south of the Eastline Trolley. The portion of the Central Imperial Redevelopment Project Area that is located east of Interstate 805 is generally bounded on the west by Euclid Avenue, north of Ocean View Boulevard and south of G Street and Guymon Street. The Project also extends east from Euclid Avenue to Flicker Street, generally between Market Street and Imperial Avenue. The Central Imperial Redevelopment Project Area is composed primarily of residential and commercial land uses.

### **Historical and Current Development**

The Agency’s residential redevelopment activities for the Central Imperial Redevelopment Project Area have included the development of over 175 primarily single-family residential units in the Sunshine Garden, Knox Glen, Kings Row, Casa de Sueños, Jarrett Heights, Evergreen Village and Village at Euclid housing developments.

In 2005, SEDC completed the acquisition of an approximately 10 acre site at Hilltop Drive and Euclid Avenue which is currently proposed for a mix of development. A relocation plan was prepared and implemented for the existing nine households during 2005. In 2006, SEDC issued a public notice inviting bids and selected the lowest bidding contractor to demolish the structures at the site. Demolition was completed in October, 2006.

In 2006, negotiations began for various developments within the Imperial Avenue Corridor Master Plan area. Exclusive negotiating agreements are contemplated for a development of up to 35 residential units at the Ouchi Courtyards development located at 50th Street and Imperial Avenue, and for a development of up to 100 residential units on Imperial Avenue near 66th Street. Negotiations are continuing for additional residential and mixed-use developments within the Imperial Avenue Corridor Master Plan area.

Four commercial developments have been completed in the Central Imperial Redevelopment Project Area:

The Ultramar Gas Station was completed in 1998, and includes a one-story retail mini-mart, self-serve gasoline station with canopy and an automatic car wash.

Phase I of Market Creek Plaza was completed in 2002, including new construction of a 142,000 square foot retail center anchored by Food 4 Less and includes a food court as well as general commercial and specialty shops.

Imperial Marketplace is the location of an approximately 300,000 square foot retail/office complex anchored by Home Depot. Imperial Marketplace also contains a Sizzler's, Starbuck's, Subway, 99¢ Only Store, Greenwood Floral, and Domino's Pizza. Construction of an 8,000 square foot Navy Federal Credit Union will begin in July, 2007. One building pad remains to be completed for an approximately 35,000 square foot structure.

The Valencia Business Park is a light industrial/commercial development of up to 100,000 square feet on an approximately 8-acre site. In 2002, SEDC completed all necessary public infrastructure improvements including elevating the site out of the flood plain, preparing building pads, expanding the capacity of Las Chollas Creek, installing all related utilities, a new public street, along with sidewalk, curb and gutter. Since 2004, within the Valencia Business Park, the 25,000 square-foot Earl B. Gillam Encanto Post Office facility has been completed, as well as a unique public art bus shelter. In 2005, a Request for Proposals for development of the balance of the site of up to 65,000 square feet was issued and a developer selected. A development agreement with the selected developer was approved in November, 2006.

In 2006, SEDC negotiated a Third Implementation Agreement to the Disposition and Development Agreement with TayRad LLC for the assumption of the development obligations by Har-Bro Construction, Inc. The 2-acre development site located at 54th and Market Streets will provide two 15,000 square-foot industrial buildings, as well as improvements to remove the site from the flood plain. Site grading began in March, 2007, and completion of construction is scheduled for the first quarter of 2008.

There are a number of new developments occurring in the Central Imperial Project Area that are anticipated to add assessed value and generate additional tax increment for the Agency within the next five years. The following summarizes these new developments. Except for completed projects there can be no guaranty that the projects will be completed as, or in the timeframe, proposed.

	<u>Development Scope</u>	<u>Estimated Real Property Added Value</u>	<u>Estimated Timing on County Tax Roll</u>
Encanto Urban Village	26 Dwelling Units	\$ 7,318,000	FY 2007-08 and 2008-09
Imperial Marketplace Pads	41,000 sq ft.	6,150,000	FY 2009-10
Valencia Business Park	55,000 sq ft.	9,900,000	FY 2009-10
Lincoln Park Paseo	35 Dwelling Units	14,000,000	FY 2009-10
Har-Bro Industrial Site	30,000 sq ft.	4,500,000	FY 2009-10

### **Plan Limitations**

The Central Imperial Redevelopment Plan establishes various time limits for undertaking redevelopment activities and for repaying debt incurred to finance redevelopment projects in the Central Imperial Redevelopment Project Area. See "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Plan Limitations" for a description of these limitations.

### **Outstanding Debt**

As of the date of issuance of the Bonds, there will be no bonded indebtedness (except for the Loan related to the Central Imperial Redevelopment Project Area) secured by tax increment generated from the Central Imperial Redevelopment Project Area. See "PLAN OF FINANCE" herein.

The Agency has entered into long-term loans with the City in the aggregate amount of approximately \$29,312,283 that are payable from tax increment generated from the Central Imperial Redevelopment Project Area on a basis subordinate to the Loans. The Agency also has other miscellaneous obligations in the aggregate amount of \$413,946 payable from tax increment generated from the Central Imperial Redevelopment Project Area. These loans and other obligations may not be accelerated in a manner which may

adversely affect the payment of debt service on the Loan related to the Central Imperial Redevelopment Project Area.

Tax increment from the Central Imperial Redevelopment Project Area is subject to certain pass-through agreement and statutory tax sharing. See “SECURITY FOR THE BONDS”, “TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES” herein and APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto.

#### **Tax Rate**

The tax rate for the Central Imperial Redevelopment Project Area for fiscal year 2005-06 was 1.010222%. For historical tax rates, see APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto. The projections herein and in the Report of the Fiscal Consultant assume a tax rate of 1.00%.

#### **Ten Largest Assesseees**

The table below sets forth the ten largest assesseees in the Central Imperial Redevelopment Project Area. The cumulative taxable value of the ten largest assesseees is \$79,100,472, which represents approximately 27.61% of the total taxable value of the Central Imperial Redevelopment Project Area and 38.68% of the incremental value of the Central Imperial Redevelopment Project Area. The taxable value of the largest assessee, Jacobs Facilities LLC, represents approximately 6.75% of the total taxable value in the Central Imperial Redevelopment Project Area.

The largest assesseees in the Central Imperial Redevelopment Project Area change from time to time. See “CENTRAL IMPERIAL REDEVELOPMENT PROJECT – Estimated Tax Revenues, Debt Service and Coverage” and “RISK FACTORS – Tax Increment Estimates” herein.

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**Table 7**  
**Redevelopment Agency of the City of San Diego**  
**Central Imperial Redevelopment Project**  
**Ten Largest Assessee**  
**Fiscal Year 2006-07**

<b><u>Rank</u></b>	<b><u>Major Assessee</u></b>	<b><u>No. of Parcels</u></b>	<b><u>Use</u></b>	<b><u>2006-07 Value</u></b>	<b><u>% of Project Value<sup>(1)</sup></u></b>	<b><u>% of Tax Increment Total<sup>(2)</sup></u></b>
1.	Jacobs Facilities LLC	3	Com - Shopping Center / Vacant; Unsecured	\$19,334,900	6.75%	9.45%
2.	PDP Imperial Partners LLC	6	Com - Store, Restaurant	19,203,166	6.70	9.39
3.	HD Development of Maryland Inc.	1	Com - Store	12,172,680	4.25	5.95
4.	Southeast Medical Center Assoc.	1	Com - Medical Office	5,398,024	1.88	2.64
5.	Nnoprize XVI LLC	3	Com - Trailer Park/ Vacant	4,794,000	1.67	2.34
6.	Northwest Village LLC	4	Com - Store, Restaurant, Radio Station	4,678,833	1.63	2.29
7.	Mundt William R Trust	1	Multi-Family Residential	4,001,894	1.40	1.96
8.	Guymon/Euclid Partners LLC	1	Multi-Family Residential	3,554,700	1.24	1.74
9.	St. Stephens Housing Partners LP	1	Multi-Family Residential	3,047,760	1.06	1.49
10.	5335 Market Street LLC	<u>1</u>	Ind - Warehouse	<u>2,914,515</u>	<u>1.02</u>	<u>1.43</u>
	Total	22		\$79,100,472	27.61%	38.68%

<sup>(1)</sup> Based on reported Fiscal Year 2006-07 value of \$286,456,356.

<sup>(2)</sup> Based on reported Fiscal Year 2006-07 tax increment value of \$204,516,336.

Source: Appendix A – “Report of the Fiscal Consultant” attached hereto.

## **Central Imperial Redevelopment Project Area Taxable Value**

The Central Imperial Redevelopment Project Area's base year assessed valuation is \$81,940,020. The total incremental value for Fiscal Year 2006-07 is \$204,516,336. The table below provides a summary of Central Imperial Redevelopment Project Area Taxable Values for Fiscal Years 2002-03 through 2006-07.

**Table 8**  
**Redevelopment Agency of the City of San Diego**  
**Central Imperial Redevelopment Project Area**  
**Taxable Value**  
**Fiscal Years 2002-03 through 2006-07**  
**(In Thousands)**

	<b><u>2002-03</u></b>	<b><u>2003-04</u></b>	<b><u>2004-05</u></b>	<b><u>2005-06</u></b>	<b><u>2006-07</u></b>
<b>Secured:</b>					
Land	\$75,223,274	\$80,485,457	\$95,055,872	\$114,194,681	\$127,956,762
Improvement	94,386,780	108,822,427	133,482,353	157,639,703	167,904,248
Personal Property	308,548	605,674	432,007	434,744	244,462
Less: Exemptions	<u>(16,092,025)</u>	<u>(17,466,132)</u>	<u>(20,594,388)</u>	<u>(23,437,984)</u>	<u>(22,593,737)</u>
Total Secured	\$153,826,577	\$172,447,426	\$208,375,844	\$248,831,144	\$273,511,735
<b>Unsecured:</b>					
Improvement	\$2,192,649	\$2,819,545	\$2,053,406	\$ 2,893,839	\$ 4,006,984
Personal Property	2,488,781	6,697,033	7,065,948	8,388,021	9,355,229
Less: Exemptions	<u>(5,000)</u>	<u>(474,723)</u>	<u>(556,511)</u>	<u>(575,055)</u>	<u>(417,592)</u>
Total Unsecured	\$4,676,430	\$9,041,855	\$8,562,843	\$10,706,805	\$12,944,621
<b>TOTAL PROJECT VALUE</b>	<b><u>\$158,503,007</u></b>	<b><u>\$181,489,281</u></b>	<b><u>\$216,938,687</u></b>	<b><u>\$259,537,949</u></b>	<b><u>\$286,456,356</u></b>
Percentage Increase	--	14.50%	19.53%	19.64%	10.37%
<b>BASE YEAR VALUE</b>	<b>\$81,940,020</b>	<b>\$81,940,020</b>	<b>\$81,940,020</b>	<b>\$81,940,020</b>	<b>\$81,940,020</b>
<b>INCREMENTAL VALUE</b>	<b>\$76,562,987</b>	<b>\$99,549,261</b>	<b>\$134,998,667</b>	<b>\$177,597,929</b>	<b>\$204,516,336</b>

Source: Appendix A – “Report of the Fiscal Consultant” attached hereto.

## **Assessment Appeals**

Property owners in the City can appeal the assessment of their property to the County Assessment Appeals Board. Property taxable values may be reduced as a result of a successful appeal of the taxable value of property determined by the County Assessor. An appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant property owner. The Fiscal Consultant researched the status of assessment appeals in the Redevelopment Project Areas with the County and determined that for fiscal year 2006-07 no appeals has been filed and for fiscal year 2005-06 there were 6 appeals, 5 of which were withdrawn and 1 resolved with no change in value. The Fiscal Consultant has not made any adjustments for appeals in the projections under “Projected Tax Revenues” below or in the Report of the Fiscal Consultant. See “RISK FACTORS – Assessment Appeals” herein and APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto.

### **County Allocation Adjustments and Percentage Collections**

The following table sets forth the percentage of Tax Revenues collections for the Central Imperial Redevelopment Project Area.

**Table 9**  
**Redevelopment Agency of the City of San Diego**  
**Central Imperial Redevelopment Project Area**  
**Tax Revenues Collections**

<b><u>Fiscal Year</u></b>	<b><u>Tax Revenues Collections</u></b>
2005-06	98.53%
2004-05	99.42
2003-04	98.71
2002-03	100.85
2001-02	100.00

Source: Appendix A – “Report of the Fiscal Consultant” attached hereto.

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## Projected Tax Revenues

The following table sets forth projected Tax Revenues for the Central Imperial Redevelopment Project Area for the Fiscal Years 2006-07 through 2010-11. While the projections are based on assumptions which are believed by the Fiscal Consultant to be reasonable, there can be no assurance that such projections will be realized. The material assumptions with respect to the projected Tax Revenues are set forth in the footnotes to the table. See "RISK FACTORS" herein and APPENDIX A – "REPORT OF THE FISCAL CONSULTANT" attached hereto.

**Table 10**  
**Redevelopment Agency of the City of San Diego**  
**Central Imperial Redevelopment Project Area**  
**Projected Tax Revenues**  
**(In Thousands)**

	Reported 2006-07	2007-08	2008-09	2009-10	2010-11
<b>I. Real Property Value</b>					
Appeal Value Change	\$273,267	\$273,267	\$281,979	\$291,690	\$332,074
Prop 13 Inflationary Growth <sup>(1)</sup>	0	0	0	0	0
New Development Value Added <sup>(2)</sup>	0	5,465	5,640	5,834	6,641
Total Real Property Value	0	3,247	4,071	34,550	0
	\$273,267	\$281,979	\$291,690	\$332,074	\$338,715
<b>II. Personal Property</b>					
Appeal Value Change	\$13,189	\$13,189	\$13,189	\$13,189	\$13,639
New Development Value Added <sup>(2)</sup>	0	0	0	0	0
Total Personal Property Value	0	0	0	450	2,875
	\$13,189	\$13,189	\$13,189	\$13,639	\$16,514
<b>III. Total Project Value</b>					
Less Base Value	\$286,456	\$295,168	\$304,879	\$345,713	\$355,230
Incremental Value	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)
	\$204,516	\$213,228	\$222,939	\$263,773	\$273,290
<b>IV. Gross Tax Revenue</b>					
Unitary Tax Revenue	\$2,045	\$2,132	\$2,229	\$2,638	\$2,733
Appeal Tax Refunds	1	1	1	1	1
H&S 33676 Tax Sharing (Original)	0	0	0	0	0
TI in Excess of Revenue Cap	(87)	(88)	(90)	(92)	(94)
Subtotal	0	0	0	0	0
	\$1,959	\$2,045	\$2,140	\$2,547	\$2,640
County Admin Charge	\$ (19)	\$ (20)	\$ (21)	\$ (24)	\$ (25)
Total Gross Tax Increment	\$1,940	\$2,024	\$2,119	\$2,522	\$2,615
<b>V. Net Tax Increment (Non-Housing)</b>	\$1,548	\$1,615	\$1,691	\$2,013	\$2,087
<b>Housing Set Aside</b>	\$392	\$409	\$428	\$509	\$528
Statutory Pass Through (Amend 2 & 3) <sup>(3)</sup>	\$ (145)	\$ (150)	\$ (156)	\$ (162)	\$ (168)
County Office of Education (Original) <sup>(4)</sup>	(6)	(6)	(6)	(8)	(9)
San Diego Unified (Original) <sup>(4)</sup>	(71)	(75)	(79)	(100)	(104)
San Diego Community College (Original) <sup>(4)</sup>	(10)	(11)	(11)	(15)	(15)
Net Tax Increment After Tax Sharing	\$1,316	\$1,374	\$1,438	\$1,729	\$1,791

<sup>(1)</sup> Assumes 2% assessed valuation growth.

<sup>(2)</sup> Assumes completion of the current developments as described under "CENTRAL IMPERIAL REDEVELOPMENT PROJECT – Historical and Current Development" above.

<sup>(3)</sup> Substantially subordinated to payments due under the Loan Agreements. See "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Statutory Pass-Through Payments" herein.

<sup>(4)</sup> Pass-through Agreements are subordinated to payments due under the Loan Agreements. See "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Pass-Through Agreements" herein.

Source: Appendix A – "Report of the Fiscal Consultant" attached hereto.

## **Estimated Tax Revenues, Debt Service and Coverage**

Table 11 sets forth the estimated tax revenues, debt service and estimated coverage for payments due under the Central Imperial Loan Agreement. The estimated tax revenues assume a 2% assessed valuation growth and that the new development described in the table under “CENTRAL IMPERIAL REDEVELOPMENT PROJECT AREA – Historical and Current Development” has been completed as described above.

**Table 11**  
**Redevelopment Agency of the City of San Diego**  
**Central Imperial Redevelopment Project Area**  
**Projected Debt Service Coverage**

<u>Bond Year ending October 1</u>	<u>Tax Revenues<sup>(1)</sup></u>	<u>Debt Service on 2007 Central Imperial Loan</u>	<u>Debt Service Coverage</u>
2007	\$1,795,065	\$ 354,881	5.06x
2008	1,874,074	999,167	1.88x
2009	1,962,850	995,794	1.97x
2010	2,360,480	1,052,124	2.24x
2011	2,447,017	1,050,607	2.33x
2012	2,505,467	1,053,579	2.38x
2013	2,565,086	1,051,229	2.44x
2014	2,625,898	1,043,176	2.52x
2015	2,687,926	1,044,824	2.57x
2016	2,751,194	1,050,544	2.62x
2017	2,815,728	1,045,152	2.69x
2018	2,881,552	1,049,104	2.75x
2019	2,948,693	1,051,186	2.81x
2020	3,017,177	1,040,869	2.90x
2021	3,087,030	1,049,977	2.94x
2022	3,158,280	1,052,422	3.00x
2023	3,230,956	1,048,400	3.08x
2024	3,305,085	1,047,378	3.16x
2025	3,380,696	1,044,903	3.24x
2026	3,457,820	1,050,905	3.29x
2027	3,536,486	1,049,860	3.37x
2028	3,614,456	1,052,030	3.44x
2029	3,693,986	1,047,153	3.53x
2030	3,775,106	1,050,420	3.59x
2031	3,857,848	1,046,378	3.69x
2032	3,941,550	1,050,218	3.75x
2033	4,026,926	1,046,345	3.85x
2034	4,114,009	1,050,093	3.92x
2035	4,202,834	1,050,865	4.00x
2036	4,293,435	1,048,663	4.09x
2037	4,385,849	1,048,485	4.18x

<sup>(1)</sup> Projections assume, among other things, a 2% assessed valuation growth and no subordination of the Statutory Pass-through Payments due to taxing agencies. See “TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Statutory Pass-Through Payments” herein.

## **MOUNT HOPE REDEVELOPMENT PROJECT AREA**

### **General**

The Mount Hope Redevelopment Project Area was formally created with the adoption of the Redevelopment Plan on November 22, 1982 by Ordinance No. 0-15862. As described in the Mount Hope Redevelopment Plan, the principal redevelopment goal for this area is to revitalize deteriorating commercial and residential areas, redevelop the rescinded Highway 252 corridor, and provide business and employment opportunities for the residents of the southeastern community.

The Mount Hope Redevelopment Plan describes the boundaries of the Mount Hope Redevelopment Project Area, contains a general statement of the objectives of the Mount Hope Redevelopment Project Area, land use, layout of principal streets, building intensities and standards, and other criteria proposed as the basis for redevelopment of the Mount Hope Redevelopment Project Area. The Mount Hope Redevelopment Plan also describes how it effectuates the purposes of the Act and how the proposed redevelopment conforms to the General Plan of the City, and describes the impact of the Mount Hope Redevelopment Plan upon residents thereof and upon the surrounding neighborhood.

### **Historical and Current Development**

A 66-acre site (formerly unimproved cemetery property) was acquired and developed by SEDC on behalf of the Agency, as the Gateway Center East Business Park, home to approximately 1,400 employees and 33 businesses, including Wallace Commercial Press, Costco, Quality Cabinets and Life Deck.

Since 2006, SEDC has hosted a series of meetings with the residents and business owners in Mount Hope to provide residents the opportunity to discuss the redevelopment potential focused on the Market Street Corridor, identify public infrastructure improvements needs, and provide the community dialogue to potential developers of Agency-owned sites. The Market Street corridor provides an opportunity for mixed-use commercial/residential development. The Agency-owned sites currently located on the corridor is expected to be used to assist with this development. A development feasibility analysis of the site is currently underway.

### **Plan Limitations**

The Mount Hope Redevelopment Plan establishes various time limits for undertaking redevelopment activities and for repaying debt incurred to finance redevelopment projects in the Mount Hope Redevelopment Project Area. See "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Plan Limitations" for a description of these limitations.

### **Outstanding Debt**

In addition to the indebtedness under the Loan related to the Mount Hope Redevelopment Project Area, the Agency's Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995A outstanding in an aggregate principal amount of \$840,000 (the "Mount Hope 1995A Bonds") and the Agency's Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002A (the "Mount Hope 2002A Bonds" and collectively with the Mount Hope 1995A Bonds, the "Unrefunded Mount Hope Bonds") outstanding in an aggregate principal amount of \$3,055,000 are payable from Tax Revenues on a parity with the payments due under the Mount Hope Loan Agreement. See "PLAN OF FINANCE" herein.

The Agency has entered into long-term loans with the City in the aggregate amount of approximately \$4,481,151 that are payable from tax increment generated from the Mount Hope Redevelopment Project Area on a basis subordinate to the Loans. The Agency also has other miscellaneous obligations in the aggregate amount of \$24,257 payable from tax increment generated from the Mount Hope Redevelopment Project Area.

These loans and other obligations may not be accelerated in a manner which may adversely affect the payment of debt service on the Loan related to the Mount Hope Redevelopment Project Area.

Tax increment from the Mount Hope Redevelopment Project Area is also subject to certain pass-through agreements and statutory tax sharing. See "SECURITY FOR THE BONDS", "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES" herein and APPENDIX A – "REPORT OF THE FISCAL CONSULTANT" attached hereto.

### **Tax Rate**

The tax rate for the Mount Hope Redevelopment Project Area for fiscal year 2005-06 was 1.010307%. For historical tax rates, see APPENDIX A – "REPORT OF THE FISCAL CONSULTANT" attached hereto. The projections herein and in the Report of the Fiscal Consultant assume a tax rate of 1.00%.

### **Ten Largest Assesseees**

The table below sets forth the ten largest assesseees in the Mount Hope Redevelopment Project Area. The cumulative taxable value of the ten largest assesseees is \$63,358,234, which represents approximately 41.30% of the total taxable value of the Mount Hope Redevelopment Project Area and 46.81% of the incremental value of the Mount Hope Redevelopment Project Area. The taxable value of the largest assessee, Costco Wholesale Corporation, represents approximately 11.01% of the total taxable value in the Mount Hope Redevelopment Project Area.

The largest assesseees in the Mount Hope Redevelopment Project Area change from time to time. See "MOUNT HOPE REDEVELOPMENT PROJECT AREA – Estimated Tax Revenues, Debt Service and Coverage" and "RISK FACTORS – Tax Increment Estimates" herein.

**Table 12**  
**Redevelopment Agency of the City of San Diego**  
**Mount Hope Redevelopment Project**  
**Ten Largest Assesseees**  
**Fiscal Year 2006-07**

<b>Rank</b>	<b>Major Assessee</b>	<b>No. of Parcels</b>	<b>Use</b>	<b>2006-07 Value</b>	<b>% of Project Value<sup>(1)</sup></b>	<b>% of Tax Increment Total<sup>(2)</sup></b>
1.	Costco Wholesale Corporation	2	Com – Store/ Unsecured	\$16,893,155	11.01%	12.48%
2.	Commercial Press Inc.	1	Unsecured	7,445,302	4.85	5.50
3.	Gateway Knitting LTD	1	Ind - Warehouse	6,920,208	4.51	5.11
4.	Jaygee Realty Co.	1	Ind - Light Manufacturing	6,400,000	4.17	4.73
5.	Angelica Textiles Service Inc.	1	Unsecured	5,166,123	3.37	3.82
6.	Gateway SMP LLC	1	Com - Medical Office	4,967,909	3.24	3.67
7.	Loftin Business Forms Inc.	1	Unsecured	4,210,941	2.74	3.11
8.	Tepner Gary-Sage Ptnshp	1	Com - Store	4,079,534	2.66	3.01
9.	Paradise Donald D Trust	1	Ind - Light Manufacturing	3,775,062	2.46	2.79
10.	Treviso LP	<u>12</u>	Com - Store	<u>3,500,000</u>	<u>2.28</u>	<u>2.59</u>
Total		22		\$63,358,234	41.30%	46.81%

<sup>(1)</sup> Based on reported Fiscal Year 2006-07 value of \$153,422,245.

<sup>(2)</sup> Based on reported Fiscal Year 2006-07 tax increment value of \$135,357,763.

Source: Appendix A – "Report of the Fiscal Consultant" attached hereto.

## **Mount Hope Redevelopment Project Area Taxable Value**

The Mount Hope Redevelopment Project Area's base year assessed valuation is \$18,064,482. The total incremental value for Fiscal Year 2006-07 is \$135,357,763. The table below provides a summary of Mount Hope Redevelopment Project Area Taxable Values for Fiscal Years 2002-03 through 2006-07.

**Table 13**  
**Redevelopment Agency of the City of San Diego**  
**Mount Hope Redevelopment Project Area**  
**Taxable Value**  
**Fiscal Years 2002-03 through 2006-07**  
**(In Thousands)**

	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
<b>Secured:</b>					
Land	\$36,813,936	\$39,487,451	\$44,615,655	\$49,692,101	\$55,883,492
Improvement	64,145,262	69,269,099	75,927,894	80,356,539	87,382,555
Personal Property	0	59,968	56,990	104,288	104,288
Less: Exemptions	(904,723)	(9,748,051)	(12,391,718)	(12,689,004)	(12,940,682)
Total Secured	\$100,054,475	\$99,068,467	\$108,208,821	\$117,463,924	\$130,429,653
<b>Unsecured:</b>					
Land	\$0	\$0	\$0	\$0	\$0
Improvement	5,561,118	5,771,429	5,355,467	7,733,646	8,530,054
Personal Property	15,030,497	12,767,802	12,907,396	15,560,487	15,569,074
Less: Exemptions	(0)	(7,040)	(1,799,988)	(1,662,297)	(1,106,536)
Total Unsecured	\$20,591,615	\$18,532,191	\$16,462,875	\$21,631,836	\$22,992,592
<b>TOTAL PROJECT VALUE</b>	<b>\$120,646,090</b>	<b>\$117,600,658</b>	<b>\$124,671,696</b>	<b>\$139,095,760</b>	<b>\$153,422,245</b>
Percentage Increase	--	(2.52%)	6.01%	11.57%	10.30%
<b>BASE YEAR VALUE</b>	<b>\$18,064,482</b>	<b>\$18,064,482</b>	<b>\$18,064,482</b>	<b>\$18,064,482</b>	<b>\$18,064,482</b>
<b>INCREMENTAL VALUE</b>	<b>\$102,581,608</b>	<b>\$99,536,176</b>	<b>\$106,607,214</b>	<b>\$121,031,278</b>	<b>\$135,357,763</b>

Source: Appendix A – “Report of the Fiscal Consultant” attached hereto.

## **Assessment Appeals**

Property owners in the City can appeal the assessment of their property to the County Assessment Appeals Board. Property taxable values may be reduced as a result of a successful appeal of the taxable value of property determined by the County Assessor. An appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant property owner. The Fiscal Consultant researched the status of assessment appeals in the Redevelopment Project Areas with the County and determined that for fiscal year 2006-07 no appeals has been filed and for fiscal year 2005-06 there were 6 appeals, 5 of which were withdrawn and 1 resolved with no change in value. The Fiscal Consultant has not made any adjustments for appeals in the projections under “– Projected Tax Revenues” below or in the Report of the Fiscal Consultant. See “RISK FACTORS – Assessment Appeals” herein and APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto.

### **County Allocation Adjustments and Percentage Collections**

The following table sets forth the percentage of Tax Revenues collections for the Mount Hope Redevelopment Project Area.

**Table 14**  
**Redevelopment Agency of the City of San Diego**  
**Mount Hope Redevelopment Project Area**  
**Tax Revenues Collections**

<b><u>Fiscal Year</u></b>	<b><u>Tax Revenues Collections</u></b>
2005-06	97.91%
2004-05	98.43
2003-04	98.70
2002-03	98.58
2001-02	98.17

Source: Appendix A – “Report of the Fiscal Consultant” attached hereto.

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## Projected Tax Revenues

The following table sets forth projected Tax Revenues for the Mount Hope Redevelopment Project Area for the Fiscal Years 2006-07 through 2010-11. While the projections are based on assumptions which are believed by the Fiscal Consultant to be reasonable, there can be no assurance that such projections will be realized. The material assumptions with respect to the projected Tax Revenues are set forth in the footnotes to the table. See "RISK FACTORS" herein and APPENDIX A – "REPORT OF THE FISCAL CONSULTANT" attached hereto.

**Table 15**  
**Redevelopment Agency of the City of San Diego**  
**Mount Hope Redevelopment Project Area**  
**Projected Tax Revenues**  
**(In Thousands)**

	Reported				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>I. Real Property</b>					
I. Value	\$130,325	\$130,325	\$132,932	\$135,591	\$138,302
Prop 13 Inflationary Growth <sup>(1)</sup>	0	2,607	2,659	2,712	2,766
New Development Value Added	0	0	0	0	0
Total Real Property Value	<u>\$130,325</u>	<u>\$132,932</u>	<u>\$135,591</u>	<u>\$138,302</u>	<u>\$141,068</u>
<b>II. Personal Property</b>					
II. Value	\$23,097	\$23,097	\$23,097	\$23,097	\$23,097
New Development Value Added	0	0	0	0	0
Total Personal Property Value	<u>\$23,097</u>	<u>\$23,097</u>	<u>\$23,097</u>	<u>\$23,097</u>	<u>\$23,097</u>
<b>III. Total Project Value</b>					
III. Value	\$153,422	\$156,029	\$158,687	\$161,399	\$164,165
Less Base Value	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)
Incremental Value	<u>\$135,358</u>	<u>\$137,964</u>	<u>\$140,623</u>	<u>\$143,335</u>	<u>\$146,101</u>
<b>IV. Gross Tax Revenue</b>					
IV. Value	\$1,354	\$1,380	\$1,406	\$1,433	\$1,461
Unitary Tax Revenue	8	8	8	8	8
TI in Excess of Revenue Cap	0	0	0	0	0
Subtotal	<u>\$1,361</u>	<u>\$1,387</u>	<u>\$1,414</u>	<u>\$1,441</u>	<u>\$1,469</u>
County Admin Charge at	(\$9)	(\$9)	(\$10)	(\$10)	(\$10)
Total Gross Tax Increment	<u>\$1,352</u>	<u>\$1,378</u>	<u>\$1,404</u>	<u>\$1,431</u>	<u>\$1,459</u>
<b>V. Net Tax Increment (Non-Housing)</b>	\$1,080	\$1,100	\$1,122	\$1,143	\$1,165
<b>Housing Set Aside</b>	<u>\$272</u>	<u>\$277</u>	<u>\$283</u>	<u>\$288</u>	<u>\$294</u>
SB 211 Statutory Pass Through <sup>(2)</sup>	(\$66)	(\$71)	(\$76)	(\$82)	(\$87)
Net Tax Increment After Tax Sharing	<u>\$1,014</u>	<u>\$1,030</u>	<u>\$1,045</u>	<u>\$1,061</u>	<u>\$1,078</u>

<sup>(1)</sup> Assumes 2% assessed valuation growth.

<sup>(2)</sup> Substantially subordinated to payments due under the Loan Agreements. See "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Statutory Pass-Through Payments" herein.

Source: Appendix A – "Report of the Fiscal Consultant" attached hereto.

## **Estimated Tax Revenues, Debt Service and Coverage**

Table 16 sets forth the estimated tax revenues, debt service and estimated coverage for payments due under the Mount Hope Loan Agreement. The estimated tax revenues assume a 2% assessed valuation growth.

**Table 16**  
**Redevelopment Agency of the City of San Diego**  
**Mount Hope Redevelopment Project Area**  
**Projected Debt Service Coverage**

Bond Year ending October 1	Tax Revenues <sup>(1)</sup>	Debt Service on Mount Hope 1995A Bonds	Debt Service on Mount Hope 2002A Bonds	Debt Service on 2007 Mount Hope Loan	Debt Service Coverage
2007	\$1,286,418	\$94,428	\$152,750	\$216,367	2.78x
2008	1,307,093	91,818	152,750	338,098	2.24x
2009	1,328,182	94,185	152,750	338,578	2.27x
2010	1,349,692	96,235	152,750	333,463	2.32x
2011	1,371,632	92,963	152,750	343,050	2.33x
2012	1,394,012	94,663	152,750	336,448	2.39x
2013	1,416,838	96,138	152,750	339,548	2.41x
2014	1,440,122	92,319	152,750	341,755	2.45x
2015	1,458,841	93,500	152,750	338,070	2.50x
2016	1,477,934	94,388	152,750	338,790	2.52x
2017	1,497,410	94,981	152,750	338,618	2.55x
2018	1,517,274	95,281	152,750	342,553	2.57x
2019	1,537,537	95,288	152,750	334,080	2.64x
2020	1,558,204		152,750	249,970	3.87x
2021	1,579,285		617,750		2.56x
2022	1,600,787		619,500		2.58x
2023	1,622,719		620,000		2.62x
2024	1,645,090		614,250		2.68x
2025	1,667,909		617,500		2.70x

<sup>(1)</sup> Projections assume, among other things, a 2% assessed valuation growth and no subordination of the Statutory Pass-through Payments due to taxing agencies. See “TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Statutory Pass-Through Payments” herein.

## RISK FACTORS

*Prospective investors should carefully consider the factors set forth below regarding an investment in the Bonds and other information contained in this Official Statement. The following discussion of risk factors is not intended to be a complete list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors of the Bonds are advised to consider the following factors, among others, and to review the other information in this Official Statement in evaluating the Bonds. In addition, there can be no assurance that other risk factors will not become material in the future; and the Agency has not undertaken to advise investors of such other risk factors should they become known.*

### Tax Increment Estimates

The maximum amount of tax increment the Agency may receive from: (i) the Southcrest Redevelopment Project Area is \$87,000,000 (ii) the Central Imperial Redevelopment Project Area (Original and Amendment No. 2 Area) is \$142,000,000, (iii) the Central Imperial Redevelopment Project Area (Amendment No. 3 Area) is \$20,000,000, and (iv) the Mount Hope Redevelopment Project Area is \$47,000,000. As of the end of Fiscal Year 2005-06, the Agency had received approximately (i) \$9,062,754 from the Southcrest Redevelopment Project Area (ii) \$6,157,071 from the Central Imperial Redevelopment Project Area (Original and Amendment No. 2 Area), (iii) \$702,692 from the Central Imperial Redevelopment Project Area (Amendment No. 3 Area), and (iv) \$15,128,090 from the Mount Hope Redevelopment Project Area. The Agency has retained the Fiscal Consultant to estimate the tax increment available to pay debt service on the Bonds. The Fiscal Consultant has made certain assumptions with regard to the assessed valuation in each of the Redevelopment Project Areas, future tax rates, percentage of taxes collected, and the amount of funds available for investment. The Agency believes these assumptions to be reasonable, however, to the extent that the assessed valuation, the tax rates, or the percentage of taxes collected are less than projected by the Fiscal Consultant, the tax increment available to pay debt service on the Bonds may be less than projected in the tables herein. See APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto.

Depending on the rate of increase in the assessed value of property in the Redevelopment Project Areas, the Agency may reach the Tax Increment Limit for one or more of the Redevelopment Project Areas while the Bonds are outstanding. See “SECURITY FOR THE BONDS – Pledge under the Loan Agreements”, “TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Plan Limitations” herein and APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto.

If future growth rates match recent historical growth, it is likely that the Tax Increment Limit for one or more of the Redevelopment Project Areas will be reached before the final maturity date of the Bonds. See “TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Plan Limitations” herein. The Agency has covenanted not to accept Tax Revenues or incur additional obligations payable from Tax Revenues if such acceptance or incurrence will cause the amount remaining under the Tax Increment Limitation to fall below a certain level, except for the purpose of depositing such revenues in escrow for future debt service payments. See “TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Plan Limitations” herein and APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto.

In addition, the Agency is pursuing an amendment to the Redevelopment Plan for each Redevelopment Project Area to increase the respective tax increment limits to an amount expected to be sufficient, based on the historical growth rates described under “TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Plan Limitations”, to meet the scheduled debt service requirements under the respective Loan Agreements while the Bonds are scheduled to be outstanding. The proposed amendments to the Redevelopment Plans would require public hearings and various governmental approvals. No assurance is made by the Agency that any or all of such Redevelopment Plans will be amended to increase

its respective tax increment limitation or that, if amended, that any of such revised tax increment limits will be sufficient to pay the Bonds as scheduled if growth rates in assessed value exceed the rates assumed by the Agency in determining the new proposed tax increment limit for a Redevelopment Project Area.

### **Reduction in Assessed Value**

Tax Revenues allocated to the Agency are determined in part by the amount by which the assessed valuation of property in a Redevelopment Project Area exceeds the respective base year assessed valuation for such property, and by the current rate at which property in such Redevelopment Project Area is taxed. The Agency itself has no taxing power with respect to property, nor does it have the authority to affect the rate at which property is taxed. Assessed valuation of taxable property within the Redevelopment Project Areas may be reduced by economic factors beyond the control of the Agency, such as a downturn in the local economy, relocation out of the Redevelopment Project Area by one or more major property owners or sale of property to a non-profit corporation exempt from property taxation, or by substantial damage, destruction or condemnation of such property. See “– Real Estate and General Economic Risks,” “–Risk of Earthquake and Other Disasters” and “–Concentration of Ownership” below. Such a reduction could have an adverse affect on the Agency’s ability to make timely payments of principal and interest due under the Loans.

Substantial growth has occurred in the Redevelopment Project Areas in recent years. However, a reduction of the assessed valuation of taxable property in the Redevelopment Project Areas caused by economic factors or other factors beyond the Agency’s control, such as relocation out of the Redevelopment Project Areas by one or more major property owners, successful appeals by property owners for a reduction in a property’s assessed valuation, a reduction of the general inflationary rate, a reduction in transfers of property or construction activity, or the destruction of property caused by natural or other disasters, or other events that permit reassessment of property at lower values could result in a reduction of tax increment revenues. In addition, substantial delinquencies in the payment of property taxes by the owners of taxable property within the Redevelopment Project Areas could impair the timely receipt by the Agency of Tax Revenues. See “– Reduction in Inflationary Rate” and “– Risk of Earthquake and Other Disasters” herein. Further, the State electorate or legislature could adopt further limitations with the effect of reducing Tax Revenues. See “TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Property Tax Rate and Appropriation Limitations” herein and “– Educational Revenue Augmentation Fund” herein. Other events that are beyond the control of the Agency could occur and cause a reduction in Tax Revenues, thereby impairing the ability of the Agency to make payments of principal and interest and premium (if any) when due on the Bonds on a timely basis. See APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto.

The Fiscal Consultant has made certain assumptions with regard to the availability of tax increment revenues to estimate the total revenues available to pay debt service on the Bonds. The Agency believes these assumptions to be reasonable, but to the extent tax increment revenues are less than anticipated, including for any of the reasons set forth in the previous paragraph, the total revenues available to pay debt service on the Bonds or to refinance the Bonds may be less than those projected herein. No independent third party has reviewed the estimates or assumptions made by the Agency, unless specifically referenced herein.

### **Reduction in Inflationary Rate**

Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described herein). This measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Tax Revenues available to pay the principal of and interest on the Loans securing the Bonds. See “TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES” herein.

## **Real Estate and General Economic Risks**

The general economy of the area in and surrounding the Redevelopment Project Areas is subject to all the risks generally associated with real estate and real estate development. Projected redevelopment of real property within and around the Redevelopment Project Areas by the Agency and private development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. The County's real estate market has shown some recent signs of weakening. During the first quarter of 2007, residential foreclosures have increased to reach their highest numbers since late 1996. Further, real estate development within and around the Redevelopment Project Areas could be adversely affected by future governmental policies, including governmental policies to restrict or control certain kinds of development. If development and redevelopment activities in the Redevelopment Project Areas encounter significant obstacles of the kind described herein or other impediments, the economy of the area in and around the Redevelopment Project Areas could be adversely affected, causing reduction of the Tax Revenues. In addition, if there is a decline in the general economy of the region, the City or the Redevelopment Project Areas, the owners of property within the Redevelopment Project Areas may be less able or less willing to make timely payments of property taxes, causing a delay or cessation in the receipt of tax revenues received by the Agency from the Redevelopment Project Areas.

## **Assessment Appeals**

Property taxable values may be reduced as a result of a successful appeal of the taxable value of property determined by the County Assessor. An appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant property owner. An assessee may contest either (i) the original determination of the "base assessment value" of a parcel (i.e., the value assigned after a change of ownership or completion of new construction), or (ii) the "current assessment value" (i.e., the value as determined by the County Assessor, which may be no more than the base assessment value plus the compounded 2% annual inflation factor) when specified factors have caused the market value of the parcel to drop below current assessment value. At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sales transaction or the recently completed improvement. A successful appeal of the base assessment value of a parcel has significant future revenue impacts, because a reduced base year assessment will reduce the compounded future value of the property prospectively. Except for the two percent inflation factor, the value of the property cannot be increased until a change in ownership occurs or improvements are made. Reductions in taxable values in the Redevelopment Project Areas resulting from successful appeals by property owners will reduce the amount of Tax Revenues available to pay the principal of and interest on the Bonds. The Fiscal Consultant researched the status of assessment appeals in the Redevelopment Project Areas with the County and determined that for fiscal year 2006-07 no appeals had been filed and for fiscal year 2005-06 there were 6 appeals, 5 of which were withdrawn and 1 resolved with no change in value. The Fiscal Consultant has not made any adjustments for appeals in the projections herein or in the Report of the Fiscal Consultant. See APPENDIX A – "REPORT OF THE FISCAL CONSULTANT" attached hereto. Reductions in taxable values in the Redevelopment Project Areas resulting from successful appeals by property owners will reduce the amount of Tax Revenues available to pay the principal of and interest on the Bonds.

## **Investment of Tax Revenues**

Tax Revenues from the County are deposited in the City's Investment Pool prior to the deposit of the Revenues with the Trustee. Under the Indentures, moneys held by the Trustee must be invested by the Trustee and Agency, as applicable, in Permitted Investments. See "SECURITY FOR THE BONDS – Investments" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto. The Agency cannot predict the impact on the investment of any Tax Revenues by the Agency if the City experiences significant losses in its Investment Pool. See also "RISK FACTORS – Certain Bankruptcy Risks" herein.

## **Certain Bankruptcy Risks**

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the Agency may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights. A delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent tax installments not being paid in full.

## **Educational Revenue Augmentation Fund**

Redevelopment agencies were required to shift \$135 million of tax increment revenues to the Educational Revenue Augmentation Fund ("ERAF") for Fiscal Year 2003-04 due to a shortfall in the State budget for Fiscal Year 2003-04. The shift to ERAF offset the need for a similar amount of State aid to education. Legislation required that half of the shift be calculated on the basis of Fiscal Year 2001-02 gross tax increment of a project area and the other half on net revenues after tax-sharing payments. The Agency's portion of the ERAF requirement for Fiscal Year 2003-04 was \$2,647,000, of which the Redevelopment Project Areas obligation totaled \$149,000. The adopted State budget for Fiscal Year 2004-05 included a \$250 million multi-year ERAF shift, limited to Fiscal Years 2004-05 and 2005-06, to be imposed on redevelopment agencies. The Agency's portion of the ERAF requirement for Fiscal Year 2004-05 was \$5,395,000, of which the Redevelopment Project Areas obligation totaled \$306,000. The Agency's portion of the ERAF requirement for Fiscal Year 2005-06 was approximately \$6,059,000, of which the Redevelopment Project Areas obligation totaled \$289,000. The Agency is not able to predict whether legislation requiring ERAF payments or a shift of other payments which would adversely affect Tax Revenues will be enacted in future years.

Pursuant to Senate Bill 1045, adopted in connection with the approval of the State Budget for Fiscal Year 2003-04, redevelopment agencies are permitted to extend the effective date of their redevelopment plans and the date to receive tax increment revenues by one year. The Agency is expecting to extend each of the Mount Hope Redevelopment Project Area and the Southcrest Redevelopment Project Area plan time limits by one year. ERAF payments are not included in the maximum amount of tax increment the Agency may receive from the Redevelopment Project Areas pursuant to the related Redevelopment Plan. See "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Plan Limitations" herein.

Pursuant to Senate Bill 1096, adopted in connection with the approval of the State Budget for Fiscal Year 2004-05, redevelopment agencies are permitted to extend the effective date of their redevelopment plans and the date to receive tax increment revenues by one year for each of the two payments required. A one year extension is authorized for each payment made for project areas that have less than 10 years of plan effectiveness remaining from the last day of the fiscal year in which such a payment is made. A one year extension is authorized for each payment made for project areas that have more than 10 years and less than 20 years of plan effectiveness remaining from the last day of the fiscal year in which such a payment is made if the City Council can make certain findings that the Agency is in compliance with specified state housing requirements. For those areas with more than 20 years of plan effectiveness remaining from the last day of the fiscal year in which a payment is made, no extension of time is authorized. The Agency is expecting to extend the Mount Hope Redevelopment Project Area plan time limits by two years.

## **Risk of Earthquake and Other Disasters**

The State, including the City, is subject to periodic earthquake activity. There are several faults in and near the San Diego area that pose earthquake hazards to the Redevelopment Project Areas. The Rose Canyon fault zone extends from La Jolla to San Diego Bay and is considered capable of producing a large, damaging earthquake. Several active strands of the Rose Canyon fault have been discovered in downtown San Diego. An "active" fault is a fault that has moved within the past 10,000 years or so, and is considered capable of renewed movement. The City requires geologic studies to investigate possible faulting prior to issuance of Building Permits. More distant potential sources of damaging earthquakes are located about 10 miles offshore (Coronado Bank fault) and about 25 miles northeast of the City (Elsinore Fault). Historically, coastal San Diego has experienced some earthquake damage as a result of distant earthquakes. The City of San Diego is assigned to Seismic Zone 4, which is the same seismic zone assigned to Los Angeles and San Francisco. Also, the City is located in an area that can be subject to tsunamis, other natural or man-made disasters or "acts of God" that could cause significant damage to taxable property with the Redevelopment Project Areas. Earthquake faults and other natural conditions may change over time, potentially increasing the risk of disasters.

If an earthquake or other disaster were to substantially damage or destroy taxable property within the Redevelopment Project Areas, the assessed valuation of such property could be reduced. There is no assurance that property owners within the Redevelopment Project Areas maintain earthquake or disaster insurance or that any such insurance would be sufficient in the event of an earthquake. Further, there is no assurance that federal, State or other emergency funds will be provided or would be sufficient for reconstruction in the Redevelopment Project Areas in the event of an earthquake or other disaster. A reduction of assessed valuations in the Redevelopment Project Areas could result in a reduction of Tax Revenues, which could impair the ability of the Agency to make payments of principal of and interest on the Bonds when due.

## **Hazardous Substances**

Owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well known and widely applicable of these laws. In addition, California laws impose particular requirements with regard to hazardous substances. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substances condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the financial and legal ability of a property owner or operator in the Redevelopment Project Areas to develop the affected property or other adjacent property and the value of such property.

## **Property Tax Payment Delinquencies**

The County has offered an alternative method of tax apportionment pursuant to Section 4701 of the Revenue and Taxation Code of the State, known as the "Teeter Plan," to all taxing agencies, districts, redevelopment agencies and non-county treasury legal depositories in the County. The Agency has elected not to participate in the Teeter Plan. Thus, there is no guaranty that the Agency will receive property tax payment delinquencies in the Redevelopment Project Areas in the future. See "TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedures" herein.

## **Concentration of Ownership**

The top ten property owners in the Southcrest Redevelopment Project Area, Central Imperial Redevelopment Project Area and Mount Hope Redevelopment Project Area account for 19.00%, 38.68% and 46.81%, respectively, of the total incremental assessed values for those Redevelopment Project Areas. This

concentration of ownership presents a risk, in that failure of a large taxpayer or one or more of its tenants to pay property taxes when due could result in a delay in the timing of collection and in the amount of property taxes, including the Tax Revenues, of the Redevelopment Project Area, which could delay or imperil the payment of principal of and interest on the Loans, and could thereby result in delay or nonpayment of the Bonds. See "Real Estate and General Economic Risk" for a description of general real estate and development risks.

#### **Change in Law**

No assurance can be given that the State electorate will not adopt initiatives or that the Legislature will not enact legislation that will amend the Constitution of the State, the Redevelopment Law or other laws in a manner that results in a reduction of Tax Revenues that could adversely affect the Agency's ability to make payment of the principal of and interest on the Bonds.

In addition, tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds.

Prospective purchasers should be aware that the United States Supreme Court has agreed to review *Davis v. Dep't. of Revenue of the Finance and Admin. Cabinet*, 197 S.W. 3d 557 (Ky. App. 2006), cert. granted 2007 U.S. LEXIS 5914 (May 21, 2007), a decision of a Kentucky appellate court, which held that provisions of Kentucky tax law that provided more favorable income tax treatment for holders of bonds issued by Kentucky municipal bond issuers than for holders of non-Kentucky municipal bonds violated the Commerce Clause of the United States Constitution. State statutes provide more favorable State income tax treatment for holders of bonds issued by State and its political subdivisions, including the Bonds, than for bonds issued by other states and their political subdivisions. If the United States Supreme Court were to affirm the holding of the Kentucky appellate court, subsequent State judicial decisions or legislation designed to ensure the constitutionality of State tax law could, among other alternatives, adversely affect the State tax exemption of outstanding bonds, including the Bonds, to the extent constitutionally permissible, or result in the exemption from State income tax of interest on certain bonds issued by other states and their political subdivisions, either of which actions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

#### **CERTAIN LEGAL MATTERS**

Certain legal matters incidental to the authorization, issuance and sale of the Bonds are subject to the approving opinions of Robinson & Pearman LLP, Bond Counsel. The proposed form of opinion of Bond Counsel is attached hereto as Appendix E. Certain legal matters will be passed upon for the Agency by Hawkins Delafield & Wood LLP, Disclosure Counsel to the Agency, and by the City Attorney as Agency General Counsel. In connection with the issuance of the Bonds, the fees payable to Bond Counsel and Disclosure Counsel are contingent upon the issuance of the Bonds.

#### **VERIFICATION**

Upon delivery of the Bonds, Grant Thornton LLP, a firm of independent public accountants, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriters relating to (a) the adequacy of the cash and the maturing principal and interest on the government obligations in the Escrow Funds to pay all of the principal, interest and redemption premium on the related Refunded Bonds (see "PLAN OF FINANCE" herein) and (b) the computations of yield of the Series B Bonds and the federal securities in the Escrow Funds which support

Bond Counsel's opinion that the interest on the Series B Bonds is excluded from gross income for federal income tax purposes.

## **TAX MATTERS**

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of bonds, such as the Series A Bonds and the Series B Bonds, for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on such bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the bonds. The Agency has indicated that no attempt will be made to comply with those requirements for the Series A Bonds and expects the interest on the Series A Bonds to be included in gross income pursuant to Section 103(a) of the Code (federally taxable). The Agency has, however, covenanted to maintain the exclusion of the interest on the Series B Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Robinson & Pearman LLP, Bond Counsel, under existing law, interest on the Series A Bonds and the Series B Bonds is exempt from personal income taxes of the State of California. Bond Counsel is further of the opinion, assuming compliance with the aforementioned covenant, that interest on the Series B Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes, that the Series B Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, the interest on the Series B Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. The receipt or accrual of interest on the Series B Bonds owned by a corporation may affect the computation of its alternative minimum taxable income, upon which the alternative minimum tax is imposed, to the extent that such interest is taken into account in determining the adjusted current earnings of that corporation (75 percent of the excess, if any, of such adjusted current earnings over the alternative minimum taxable income being an adjustment to alternative minimum taxable income (determined without regard to such adjustment or to the alternative tax net operating loss deduction)). Bond Counsel expresses no opinion as to the exclusion from gross income for federal income tax purposes of interest on the Series A Bonds or regarding any other federal tax consequence relating to the accrual or receipt of interest on the Series A Bonds or the Series B Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series A Bonds or the Series B Bonds may affect the tax status of interest on such bonds or the tax consequences of the ownership of such bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Series A Bonds and the Series B Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Series B Bonds from the gross income of the owners thereof for federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any federal, State or local tax law consequences with respect to the Series B Bonds, or the interest thereon, if any action is taken with respect to the Series B Bonds or the proceeds thereof predicated or permitted upon the advice or approval of bond counsel if such advice or approval is given by counsel other than Bond Counsel.

Although Bond Counsel is of the opinion that interest on the Series B Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, State or local tax liability may be otherwise affected by the ownership or disposition of such bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series B Bonds should be aware that (a) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series B Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocated to interest on the Series B Bonds, (b) with respect to insurance companies subject to the tax imposed

by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series B Bonds, (c) interest on the Series B Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (d) passive investment income, including interest on the Series B Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (e) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series B Bonds and (f) under section 32(i) of the Code, receipt of investment income, including interest on the Series B Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Agency described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the Series B Bonds. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series B Bonds is commenced, under current procedures the Service is likely to treat the Agency as the "taxpayer," and the owners of the Series B Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series B Bonds, the Agency may have different or conflicting interest from the owners of the Series B Bonds. Further, the disclosure of the initiation of an audit may adversely affect the market price of the Series B Bonds, regardless of the final disposition of the audit.

## **LITIGATION**

There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or, to the knowledge of the Agency, threatened against the Agency or the Authority to restrain or enjoin the authorization, execution or delivery of the Bonds or the pledge of the Pledged Tax Revenues under each of the Loan Agreements, or the collection of the payments to be made pursuant to the Indentures, or in any way contesting or affecting the validity of the Bonds or the Indentures.

## **RATINGS**

Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P") have assigned their ratings of "Aa3," and "AA," respectively, to the Bonds based upon delivery of the Policy for the Taxable Bonds and the Policy for the Tax-Exempt Bonds by the Insurer. Moody's has assigned underlying ratings of "Baa2" to the Bonds. On September 20, 2004, S&P suspended its uninsured ratings and underlying ratings on general obligation bonds, general fund-backed lease underlying ratings, all water and sewer revenue bond ratings, and all outstanding bonds and short-term notes of the City. S&P's ratings on the outstanding obligations of the Agency were also suspended at this time, including its obligations with respect to the Redevelopment Project Areas. An explanation of the significance of such ratings may be obtained from the respective rating agencies. The ratings reflect the views of the rating agencies and the Agency makes no representation as to the appropriateness of the ratings. Further, there is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely if in the sole judgment of rating agencies circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the trading value and the market price of the Bonds. Other than as provided in the Continuing Disclosure Certificates, the Agency undertakes no responsibility either to bring to the attention of the owners of the Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal.

## **UNDERWRITING**

The Bonds are being purchased by the underwriters listed on the cover page hereof (the “Underwriters”). RBC Capital Markets is the name under which RBC Dain Rauscher Inc. will be performing underwriting services in connection with the Bonds. The Underwriters have agreed, subject to certain conditions, to purchase the Taxable Bonds from the Authority at a price of \$17,132,995.10 (which represents the aggregate principal amount of the Taxable Bonds, less an underwriters’ discount of \$97,004.90). The Underwriters have agreed, subject to certain conditions, to purchase the Tax-Exempt Bonds from the Authority at a price of \$18,044,796.15 (which represents the aggregate principal amount of the Tax-Exempt Bonds, plus net original issue premium of \$389,246.60, and less an underwriters’ discount of \$99,450.45). The purchase agreement provides that the Underwriters will purchase all of the Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the purchase agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering price stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters.

## **CONTINUING DISCLOSURE**

The Agency has covenanted for the benefit of the owners of the Bonds to provide, so long as the Bonds are outstanding, the Annual Report setting forth certain financial information and operating data relating to the Agency by not later than 270 days following the end of the Agency’s Fiscal Year (which is currently June 30), commencing with the Annual Report for the 2005-06 Fiscal Year and to provide notices of the occurrences of certain enumerated events, if material. These covenants have been made in order to assist the Underwriters in complying with the Rule. The specific nature of the information to be contained in the Annual Report or the notices of material events by the Agency is set forth in the Continuing Disclosure Certificate for the Bonds. See APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

The Agency did file Annual Reports but did not provide financial statements with respect to Fiscal Years 2002-03 through 2005-06 for the outstanding obligations of the Agency identified in the following table, in part, because the City’s financial statements were not available. The Agency filed notices of failure to provide required annual financial information as required by its disclosure undertakings for Fiscal Years 2002-03, 2003-04, 2004-05 and 2005-06. Except as indicated below, the Agency has otherwise complied in all material respects in the last five years with each of its previous undertakings with regard to the Rule to provide Annual Reports or notices of material events in accordance with the Agency’s respective continuing disclosure undertakings.

**Obligations for which the Agency Failed to Timely File  
Complete Annual Reports in the Last Five Years**

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City Heights Redevelopment Project Tax Allocation Bonds, Series 1999A and Series 1999B  
City Heights Redevelopment Project 2003 Tax Allocation Housing Set-Aside Bonds,  
Series A and Series B  
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000  
North Park Redevelopment Project Tax Allocation Bonds, Series 2000  
North Park Redevelopment Project 2003 Tax Allocation Bonds, Series A and Series B (Taxable)  
Centre City Redevelopment Project Tax Allocation Housing Bonds,  
Series 2004C and Series 2004D(Taxable)\*  
Centre City Redevelopment Project Tax Allocation Bonds, Series 1993 A (Taxable),  
Series 1993 B, Series 1999 A, Series 1999 B (Taxable), Series 1999 C, Series 2000A, Series  
2000B, Series 2001A and Series 2003A  
Horton Plaza Tax Allocation Bonds, Series 1996 A, Series 1999 B, Subordinate Series 2000,  
Subordinate Series 2003A and Junior Lien Series 2003B  
Horton Plaza Tax Allocation Housing Bonds, Series 2003C (Taxable)  
Centre City Redevelopment Project Parking Revenue Bond, Series 1999A\*  
Centre City Redevelopment Project Subordinate Parking Bond, Series 2003B\*  
Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000\*\*†  
Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000\*\*†  
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002A \*\*†

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\* Continuing disclosure undertaking includes the filing of Agency and City financial statements.

† Annual Reports for Fiscal Year 2005-06 have not yet been filed for these issues.

**PROFESSIONAL ADVISORS**

First Albany Capital, Inc., served as Financial Advisor to SEDC with respect to the sale of the Bonds. The Financial Advisor has participated in the preparation of the Official Statement, but has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

Keyser Marston Associates served as Fiscal Consultant to the Agency and prepared its Report of the Fiscal Consultant, dated March 8, 2007. See APPENDIX A – “REPORT OF THE FISCAL CONSULTANT” attached hereto. The Report of the Fiscal Consultant should be read in its entirety.

## **MISCELLANEOUS**

All of the summaries herein of the Bonds, the Indentures, the Loan Agreements, applicable legislation, agreements and other documents are made subject to the provisions of the Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

The execution and delivery of this Official Statement has been duly authorized by the Agency.

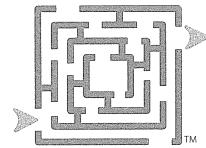
REDEVELOPMENT AGENCY OF THE  
CITY OF SAN DIEGO

By: /s/ James T. Waring  
Assistant Executive Director

**APPENDIX A**

**REPORT OF THE FISCAL CONSULTANT**

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**KEYSER MARSTON ASSOCIATES**

**Fiscal Consultant Report**

**Mount Hope Redevelopment Project  
Southcrest Redevelopment Project  
Central Imperial Redevelopment Project**

**Prepared for:**  
**Redevelopment Agency of  
the City of San Diego**

**Prepared by:**  
**Keyser Marston Associates, Inc.**

**March 8, 2007**

## **FISCAL CONSULTANT REPORT**

Mount Hope Redevelopment Project  
Southcrest Redevelopment Project  
Central Imperial Redevelopment Project, As Amended

**Prepared for:**

**REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO**

202 C Street, 9<sup>th</sup> Floor  
San Diego, California 92101

**Prepared by:**

**KEYSER MARSTON ASSOCIATES, INC.**

500 South Grand Avenue, Suite 1480  
Los Angeles, California 90071

**March 8, 2007**

# FISCAL CONSULTANT REPORT

March 8, 2007

## 1. INTRODUCTION

### 1.1 Report Overview

Keyser Marston Associates, Inc. (KMA) has been retained as Fiscal Consultant to the Redevelopment Agency of the City of San Diego (Agency) to prepare a projection of tax increment revenues for the Mount Hope Project Area, Southcrest Project Area, and Central Imperial Project Area, as amended. The Agency is proposing to issue bonds to be secured by tax increment revenues from the Project Areas.

The California Community Redevelopment Law (CRL) provides for the creation of a redevelopment corporation for the purpose of eliminating blight. To achieve this purpose, the CRL, along with Article 16, Section 16 of the California Constitution, authorizes the Agency to receive that portion of property tax revenue generated from the increase of the current year project taxable values over the Base Year taxable values that existed at the time of the Project Areas adoption. This portion of property tax revenue is referred to as tax increment revenue. The CRL provides that the tax increment revenue may be pledged by the Agency for the repayment of Agency indebtedness.

This Fiscal Consultant Report will examine the Project Areas valuations that provide the basis from which a multi-year tax increment revenue projection is created. The projected taxable values and resulting tax increment revenues for the Project Areas are based on assumptions determined by a review of the taxable value history of the Project Areas; Agency identified developments recently completed, presently under construction or proposed for the Project Areas; and the property tax assessment and property tax apportionment procedures of San Diego County.

### 1.2 Redevelopment Project Areas

#### ▪ Mount Hope

Adoption Date	11/22/1982
Debt Incurrence	Eliminated
Effectiveness	11/22/2022
TI Receipt	11/22/2032
Bond Limit	\$14.2 M
TI Revenue Limit	\$47 M

The Mount Hope Redevelopment Plan was adopted on November 22, 1982 and consists of approximately 210 acres. Under the provisions of AB 1290, the Mount Hope Redevelopment Plan was amended to include the following limitations: (1) no loans, advances or

indebtedness to finance in whole or in part the Mount Hope Project Area shall be established or incurred by the Agency beyond January 1, 2004; (2) the time limit on the effectiveness of the Mount Hope Redevelopment Plan is November 22, 2022; and (3) the time limit for the repayment of indebtedness is November 22, 2032. The Agency adopted Ordinance 19417 that amended the Mount Hope Redevelopment Plan to eliminate the debt incurrence time limit pursuant to the authority provided under SB 211. As a result of this election, the statutory pass through requirements set forth under Section 33607.5 of the Health and Safety Code are triggered. The Mount Hope Project Area has a tax increment revenue limit of \$47,000,000 and a debt limit of \$14,200,000.

- **Southcrest**

Adoption Date	4/14/1986
Debt Incurrence	Eliminated
Effectiveness	4/14/2026
TI Receipt	4/14/2036
Bond Limit	\$26.1 M
TI Revenue Limit	\$87 M

The Southcrest Redevelopment Plan was adopted on April 14, 1986 and consists of approximately 301 acres. Under the provisions of AB 1290, the Southcrest Redevelopment Plan was amended to include the following limitations: (1) no loans, advances or indebtedness to finance in whole or in part the Southcrest Project Area shall be established or incurred by the Agency beyond January 1, 2004; (2) the time limit on the effectiveness of the Southcrest Redevelopment Plan is April 14, 2026; and (3) the time limit for the repayment of indebtedness is April 14, 2036. The Agency adopted Ordinance 19484 that amended the Redevelopment Plan to eliminate the debt incurrence time limit pursuant to the authority provided under SB 211. As a result of this election, the statutory pass through requirements set forth under Section 33607.5 of the Health and Safety Code are triggered. The Southcrest Project Area has a tax increment revenue limit of \$87,000,000 and a debt limit of \$26,100,000.

- **Central Imperial Original**

Adoption Date	9/14/1992
Debt Incurrence	9/14/2012
Effectiveness	9/14/2032
TI Receipt	9/14/2042
Bond Limit (Original & Amend 2 & 3)	\$46.2 M
TI Revenue Limit (Original & Amend 2)	\$142 M
TI Revenue Limit (Amend 3 only)	\$20 M

The Central Imperial Redevelopment Plan was adopted on September 14, 1992 (Central Imperial Original Area) and subsequently amended, so as to consist of 580 acres as

amended. Under the provisions of AB 1290, the Central Imperial Original Area was amended to include the following limitations: (1) no loans, advances or indebtedness to finance in whole or in part the Central Imperial Project Area shall be established or incurred by the Agency beyond September 14, 2012; (2) the time limit on the effectiveness of the Central Imperial Redevelopment Plan is September 14, 2032; and (3) the time limit for the repayment of indebtedness is September 14, 2042. The Central Imperial Original Area, with Amendment No. 2, has a combined tax increment revenue limit of \$142,000,000 and a combined debt limit of \$46,200,000.

- **Central Imperial Amendment No. 2**

Adoption Date	12/10/1996
Debt Incurrence	12/10/2016
Effectiveness	12/10/2026
TI Receipt	12/10/2041
Bond Limit (Original & Amend 2 & 3)	\$46.2 M
TI Revenue Limit (Original & Amend 2)	\$142 M

The Central Imperial Redevelopment Plan was amended to add territory (Central Imperial Amendment No. 2) on December 10, 1996, with the following limitations: (1) no loans, advances or indebtedness to finance in whole or in part the Central Imperial Amendment No. 2 shall be established or incurred by the Agency beyond December 10, 2016; (2) the time limit on the effectiveness of the Central Imperial Amendment No. 2 is December 10, 2026; and (3) the time limit for the repayment of indebtedness is December 10, 2041. The Central Imperial Original Area and Amendment No. 2 have a combined tax increment revenue limit of \$142,000,000 and a combined debt limit of \$46,200,000.

- **Central Imperial Amendment No. 3**

Adoption Date	10/24/2000
Debt Incurrence	10/24/2020
Effectiveness	10/24/2030
TI Receipt	10/24/2045
Bond Limit (Original & Amend 2 & 3)	\$46.2 M
TI Revenue Limit (Amend 3 Only)	\$20 M

The Central Imperial Redevelopment Plan was amended to add territory (Central Imperial Amendment No. 3) on October 24, 2000, with the following limitations: (1) no loans, advances or indebtedness to finance in whole or in part the Central Imperial Amendment No. 3 shall be established or incurred by the Agency beyond October 24, 2020; (2) the time limit on the effectiveness of the Central Imperial Amendment No. 3 is October 24, 2030; and (3) the time limit for the repayment of indebtedness is October 24, 2045. The Central Imperial Amendment No. 3 has a tax increment revenue limit of \$20,000,000 and a combined debt limit (combined with the Central Imperial Original and Amendment No. 2) of \$46,200,000.

### **1.3 Cumulative Tax Increment Limits**

Each of the Project Areas has a cumulative gross tax increment revenue limit imposed by the respective Redevelopment Plans. Once the cumulative allocation of gross tax increment revenues reaches the respective limits, no additional tax allocations are projected. The future year gross tax increment revenues projected in this Report are subject to the cumulative tax increment limits and have been added to the amounts already received by the Agency (amount reported by the County Auditor-Controller through FY 2005-06). Based upon the assumptions incorporated in the projection of tax increment revenues shown on Tables 6.1 through 6.3, the cumulative limits are projected to be reached prior to the last date of tax increment eligibility for the following Project Areas, as summarized below:

	<u>Allocated Through FY 2005-06</u>	<u>Cumulative Revenue Limit</u>	<u>Fiscal Year Limit Projected to be Reached</u>
Mount Hope	\$15,128,090	\$47,000,000	FY 2025-26
Southcrest	\$9,062,754	\$87,000,000	FY 2032-33
Central Imperial Original & Amendment No. 2	\$6,157,071	\$142,000,000	Not reached
Central Imperial No. 3	\$702,692	\$20,000,000	Not reached

The anticipation of reaching the respective cumulative revenue limits is subject to factors that go beyond the assumptions incorporated in the attached projections. Future valuation growth was limited to growth resulting from a 2% inflationary increase (Proposition 13) on Real Property value plus site specific new developments identified by Agency staff. Future valuation increases will be subject to local real estate market fluctuations that the County Assessor will consider when valuing future new development or transfer of ownership activities. The resulting Project Area values reported by the County will therefore result in the Agency reaching the cumulative revenue limits sooner or later than what KMA has projected at the present time.

## **2. REVIEW OF PROJECT TAXABLE VALUES**

### **2.1 Real and Personal Property**

Real Property, as referred to in this Report, is defined to represent land and improvement assessed values. Annual increases in the assessed value of Real Property are limited to an annual inflationary increase of up to 2%, as governed by Article XIII A of the State Constitution. Real Property values are also permitted to increase or decrease as a result of a property's change of ownership or new construction activity. As discussed below, the assessed value of taxable property is subject to reduction under certain conditions.

For FY 1995-96 and FY 1996-97, the County Assessor applied a 1.19% and 1.11% inflationary factor to Real Property values in the respective fiscal years to reflect the change in the

1994 and 1995 State Consumer Price Indices. For FY 1997-98 and FY 1998-99, the County Assessor applied the maximum 2% inflationary factor. For FY 1999-2000, the County Assessor applied a 1.85% inflationary factor and commencing with FY 2000-01, the maximum 2% inflationary factor was used each year until FY 2004-05 when the inflationary factor was again adjusted to 1.867%. For FY 2005-06 and FY 2006-07, the 2% inflation factor was used. Therefore, for purposes of this analysis, a 2% Real Property inflationary factor will continue to be applied in subsequent fiscal years.

The assessed value of Personal Property is not subject to the maximum 2% inflationary increase and is subject to annual appraisal, either upward or downward. State assessed Non-Unitary properties assessed by the State Board of Equalization (SBE) also may be revalued annually and such assessments are not subject to the annual 2% inflation limitation of Article XIII A.

Each Project Area's assessed values are prepared by the County Assessor and, until FY 1996-97, have reflected the March 1st lien date. Commencing with FY 1997-98, the property tax lien date has been changed to January 1. Each property assessment is assigned a unique Assessor Parcel Number (APN) which correlates to assessment maps prepared by the County. The corresponding assessed values for each parcel are then encoded to Tax Rate Areas (TRAs) which are geographic subareas with common distribution of taxes and which are contained within the Project Area boundaries. There is 1 TRA in the Mount Hope Project Area, 1 TRA in the Southwest Project Area, and 3 TRAs in the Central Imperial Project Area.

## 2.2 FY 2006-07 Assessed Values

The County Auditor-Controller is responsible for the aggregation of the assessed values assigned by the Assessor for properties within the boundaries of the Project Areas. This results in the reported total current year assessed value for each project area and becomes the basis for determining tax increment revenues due to the Agency for each project area. The preliminary reported values for each of the project areas for FY 2006-07 are as follows:

<u>Mount Hope</u>	Reported FY 2006-07	
Secured Value	\$130,429,653	85.0%
Unsecured Value	<u>22,992,592</u>	<u>15.0%</u>
Total Value FY 2006-07	\$153,422,245	100%
Less Base Value	<u>(18,064,482)</u>	
Incremental Value	\$135,357,763	

<u>Southcrest</u>	Reported FY 2006-07	
Secured Value	\$230,429,151	98.8%
Unsecured Value	<u>2,853,921</u>	<u>1.2%</u>
Total Value FY 2006-07	\$233,283,072	100%
Less Base Value	<u>(45,148,057)</u>	
Incremental Value	\$188,135,015	

#### Central Imperial (combined)

Secured Value	\$273,511,735	95.5%
Unsecured Value	<u>12,944,621</u>	<u>4.5%</u>
Total Value FY 2006-07	\$286,456,356	100%
Less Base Value	<u>(81,940,020)</u>	
Incremental Value	\$204,516,336	

Secured Property includes property on which any property tax levied by the County becomes a lien on that property. Unsecured Property typically includes the value of tenant improvements, trade fixtures and personal property. The taxes levied on Unsecured Property are levied at the previous year's Secured Property tax rate.

### 2.3 Historic Taxable Values

Historic Project Area taxable values were reviewed by KMA. The historic reported taxable values of the Project Area covering fiscal years 2002-03 to 2006-07, is shown on Tables 1.1 through 1.3. The values are reported by the San Diego County Auditor-Controller.

The Mount Hope Project Area values of Table 1.1 reflect an overall average annual increase of 7.5% for the period. The secured taxable values, representing 85% of the Mount Hope Project Area's reported value for FY 2006-07, increased an average of 7.4% per year over the same period. The year to year changes in total Mount Hope Project Area value ranged from a high of 11.5% in FY 2005-06 to a low of -2.5% in 2003-04.<sup>1</sup>

The Southcrest Project Area values of Table 1.2 reflect an overall average annual increase of 23.2% for the period. The secured taxable values, representing 98.8% of the Southcrest Project Area's reported value for FY 2006-07, increased an average of 24.4% per year over the same period. The year to year changes in total Southcrest Project Area value ranged from a high of 26.2% in FY 2005-06 to a low of 7.4% in 2003-04.

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<sup>1</sup> This decline was the result of new exemption filings on nine secured parcels assessed to two qualifying non-profit owners: IG Partners and the San Diego Urban League.

The Central Imperial Project Area values of Table 1.3 reflect an overall average annual increase of 23.9% for the period. The secured taxable values, representing 95.5% of the Central Imperial Project Area's reported value for FY 2006-07, increased an average of 22.9% per year over the same period. The year to year changes in the total Central Imperial Project Area value ranged from a high of 21.3% in FY 2002-03 to a low of 10.3% in 2006-07.

## **2.4 Values by Property Use**

Based upon a review of the FY 2006-07 values for each of the Project Areas, a distribution of values by property use was prepared for each Project Area and summarized on Table 2.1 through 2.3. The summary Tables identify the amount of reported assessed value is represented by residential, commercial, industrial and other uses in each of the Project Areas.

The Mount Hope Project Area land uses by assessed value (Table 2.1) indicates that 47.2% of the property values are related to residential uses, 16.5% of the property values are related to industrial uses and 20.4% of the property values are related to commercial uses. Unsecured and other miscellaneous land use values comprise 15.8% of the total reported value.

The Southcrest Project Area land uses by assessed value (Table 2.2) indicates that 88% of the property values are related to residential uses and 10.7% of the property values are related to commercial uses. Unsecured and other miscellaneous land use values comprise 1.3% of the total reported value.

The Central Imperial Project Area land uses by assessed value (Table 2.3) indicates that 59.3% of the property values are related to residential uses, 5.4% of the property values are related to industrial uses and 30.6% of the property values are related to commercial uses. Unsecured and other miscellaneous land use values comprise 4.7% of the total reported value.

## **2.5 Ten Largest Tax Payers**

The ten largest property owners in each of the Project Areas were identified by KMA based upon a review of the FY 2006-07 locally assessed secured and unsecured taxable valuations reported by the County Assessor. The aggregated total assessed value of the identified ten largest tax payers is shown on Tables 3.1 through 3.3 and includes the assessee name, property use, parcel count, assessed value, percentage share of each of the Project Areas value, and percentage share of the total and incremental assessed values.

The ten largest taxpayers in the Mount Hope Project Area (Table 3.1) represent an aggregated total assessed value of \$63,358,234 or 41.3% of the total reported value. When expressed as a percentage of incremental assessed value, the ten largest tax payer values represent 46.8% of the incremental assessed value.

The ten largest taxpayers in the Southcrest Project Area (Table 3.2) represent an aggregated total assessed value of \$35,739,619 or 15.3% of the total reported value. When

expressed as a percentage of incremental assessed value, the ten largest tax payer values represent 19% of the incremental assessed value.

The ten largest taxpayers in the combined Central Imperial Project Area (Table 3.3) represent an aggregated total assessed value of \$79,100,472 or 27.6% of the total reported value. When expressed as a percentage of incremental assessed value, the ten largest tax payer values represent 38.6% of the incremental assessed value.

## **2.6 Assessment Appeals**

Property taxable values determined by the County Assessor may be subject to an appeal by the property owner. Assessment appeals are annually filed with the County Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the Assessor's original taxable value and a tax refund to the property owner. The reduction in future Project Areas taxable values and the refund of taxes affects all taxing entities, including the Agency.

KMA researched the status of assessment appeals filed by property owners in all the Project Areas based upon the latest information available from the County Appeals Board database. From this research, KMA identified no assessment filings for FY 2006-07. A comparative extraction of FY 2005-06 assessment appeal filings resulted in a total of 6 appeal filings in the previous year, of which 5 were withdrawn by the applicants and 1 resolved with no change in value. Therefore, for purposes of this tax increment projection, no adjustments have been made for future year tax refunds due to appeals.

# **3. TAX ALLOCATION AND DISBURSEMENT**

## **3.1 Tax Rates**

Tax increment revenues projected in this analysis are computed based upon the annual incremental assessed value of each Project Area multiplied by a tax rate determined by the County Auditor-Controller. The tax rate consists of the general tax levy of \$1.00 per \$100 of assessed value and the override tax rate which represents the debt service levy whose indebtedness has been authorized by voter approval.

The override tax rates typically decline each year (1) as increasing property values reduce the override rate needed to be levied by the taxing entities to meet debt service, and (2) as voter approved debt is eventually retired over time. An amendment to the Constitution prohibits redevelopment agencies from receiving taxes generated by new override tax rates, which are reflective of debt approved after December 31, 1988. Therefore, for purposes of the tax increment projection, only the basic tax levy has been used to compute future tax increment.

### **3.2 Allocation of Taxes**

Secured taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. The County Auditor-Controller is responsible for the aggregation of the taxable values assigned by the Assessor as of the lien date for property within the boundaries of each Project Area. This results in the reported total current year for each Project Areas taxable value and becomes the basis for determining tax increment revenues due to the Corporation. Although adjustments to taxable values for property within each Project Area may occur throughout the fiscal year, such adjustments are not assumed in the tax increment projection prepared by KMA, except where noted.

The tax increment revenues are disbursed in eight monthly payments beginning in November. Approximately 45% of the total tax increment revenues due to the Agency are allocated through January. By the end of May, over 85% of the total Tax Increment Revenues are allocated to the Corporation, reflecting second installment collections. Final reconciliation payments are generally made through August.

### **3.3 Tax Receipts to Tax Levy**

Tax increment revenues are allocated to the Agency based upon actual tax collections received in each Project Area. To estimate the percentage of unpaid taxes in each Project Area, a comparison of computed tax levy to actual tax receipts was conducted by KMA. This comparison, summarized on Tables 4.1 through 4.3, was reviewed for FY 2001-02 through FY 2005-06. The historic average receipts rates during this five-year period are as follows:

Mount Hope	98.3%
Southcrest	98.4%
Central Imperial	99.5%

For purposes of this comparison, the calculated tax levy and the annual receipt amounts do not include administrative charges, supplemental taxes, prior year redemption payments, roll corrections, interest earnings or assessment appeal tax refunds.

### **3.4 Unitary Tax Revenue**

Commencing in 1988-89, the reporting of public utility values assessed by the SBE was modified pursuant to legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921). Previously, property assessed by the SBE was assessed State-wide and was allocated according to the location of individual components of a utility in a TRA. Hence, public utility values located within a redevelopment project area were fully reflected in each Project Area's annual taxable value. Since the County no longer included the taxable value of unitary properties as part of the reported taxable values in a redevelopment project, a base year reduction was made equal to the

amount of unitary taxable value that existed originally in the base year. The values of most public utility properties are now assessed as a single unit on a County-wide basis (referred to as Unitary values). Railroad properties and utility owned parcels not included by SBE in the Unitary assessment are referred to as Non-Unitary assessments.

Unitary tax revenues are distributed by the County in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to 2%; (2) if utility tax revenues are insufficient to provide the same amount of revenue as in the previous year, allocation of the taxes would be reduced pro-rata County-wide; and (3) any increase in revenue above 2% would be allocated in the same proportion as the taxing entity's local secured taxable values are distributed to the local secured taxable values of the County. The reported Unitary tax revenues for FY 2006-07 have been incorporated into the tax increment projections, as follows:

Mount Hope	\$7,661
Southcrest	\$4,237
Central Imperial	\$581

### **3.5 Supplemental Assessments**

Supplemental assessments are authorized under Chapter 498 of the Statutes of 1983, which provides that property may be reassessed upon the occurrence of a change of ownership or completion of new construction. The supplemental assessment reflects the difference between the new value and old value. Prior to the enactment of Chapter 498, property reassessments occurred only on the lien date next following the change in ownership or new construction. The supplemental tax (if there is a resulting increase in value) or the supplemental refund (if there is a resulting decrease in value) is determined by applying the current year tax rate to the amount of supplemental assessment and prorating the resulting tax based upon the number of months remaining in the current fiscal year and, in certain instances, in the forthcoming fiscal year.<sup>2</sup>

The tax revenues or refunds derived from supplemental assessments are allocated to redevelopment agencies on a monthly basis and incorporated in the tax payments prepared by the County Auditor-Controller. Future new developments or property transfers occurring in the Project Area could likely result in supplemental tax revenues being allocated to the Corporation. However, due to their nature as one-time occurring revenues, supplemental taxes can be a relatively minimal revenue source to the Corporation. In addition, pursuant to conversations with County Tax Collector staff, the receipt of supplemental taxes by the Agency can be delayed by as much as six to nine months after a property transfer or construction. Therefore, for purposes of the current bond financing, KMA has not included any revenues resulting from future supplemental assessments in the tax increment projection.

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<sup>2</sup> Two supplemental assessments would occur in instances where a change in ownership or a new construction occurs between the January 1 lien date and May 31<sup>st</sup>.

### **3.6 County Administrative Fees**

Chapter 466, Statutes of 1990, (referred to as SB 2557) permits the County to withhold a portion of annual tax revenues for the recovery of County charges related to property tax administration services to cities in an amount equal to their property tax administration costs proportionately attributable to cities. SB 2557, and subsequent legislation under SB 1559 (Statutes of 1992), permitted counties to charge all jurisdictions, including redevelopment agencies, on a year to year basis. For FY 2005-06, the County debited the following charges, which represent the following percentages of gross revenue for that year:

Mount Hope	\$8,516	0.68% of gross
Southcrest	\$10,978	0.80% of gross
Central Imperial	\$10,828	1.22% of gross

The tax increment projections assume that the County will continue to charge the Agency for property tax administration and that charges will continue to be applied in subsequent years at each respective rate.

## **4. PROJECT AREA OBLIGATIONS**

### **4.1 Low and Moderate Income Housing**

The CRL requires redevelopment agencies to annually set aside 20% of all tax increment revenues into a Low and Moderate Income Housing Set Aside Fund. Under the CRL, the set aside requirement could be reduced or eliminated if the redevelopment Agency finds that (1) no need exists in the community to improve or increase the supply of low and moderate income housing; (2) that some stated percentage less than 20% of the tax increment is sufficient to meet the housing need; or (3) that other substantial efforts, including the obligation of funds from certain local, state or federal sources for low and moderate income housing, of equivalent impact are being provided for in the community.

### **4.2 Tax Sharing Agreements**

- Southcrest Project Area***

The Agency is obligated to annually distribute tax increment revenues from the Southcrest Project Area pursuant to Health and Safety Code Section 33676, affected taxing entities may elect and school districts shall elect to receive a portion of annual tax increment revenues resulting from the annual inflationary increase allowed under Proposition 13. Based upon discussions with the County Auditor-Controller, this election was made by the County General Fund, the San Diego Unified School District and the San Diego Community College

District. The distribution incorporated on Table 6.2 is based upon the FY 2006-07 tax sharing allocation estimated by the County Auditor-Controller amounting to \$168,665. Subsequent year distributions are assumed to increase by the 2% inflationary factor.

- ***Central Imperial Original Area***

As shown on Table 6.3, the Agency is obligated to annually distribute tax increment revenues from the Central Imperial Original Area to the County Office of Education, San Diego Unified School District, and the San Diego Community College District pursuant to tax sharing agreements with the respective taxing entities. These tax sharing obligations are subordinate to all Agency bonded indebtedness. The projected fiscal impacts of these agreements are incorporated in the tax increment projection. A brief description of the annual tax sharing allocations provided under the respective agreements is summarized below:

**County Office of Education**

The County Office of Education is entitled to receive 0.44% of the gross tax increment generated by the Original Area commencing in FY 1993-94.

**San Diego Unified School District**

Agency annually allocates a percentage share of gross tax increment generated by the Original Area commencing in FY 1993-94 based upon the following tax increment revenue thresholds:

2.68% commencing in FY 1993-94

5.36% commencing in the first year after annual tax increment equals \$500,000

8.94% commencing in the first year after annual tax increment equals \$3 million

13.40% commencing in the first year after annual tax increment equals \$6 million

The Agreement further provides that beginning in the first fiscal year after the cumulative Property Tax Increment allocated and paid to the Agency from the Original Area equals \$125,987,000, and until the amount allocated and paid to the Agency reaches the limit of \$142,000,000, the percentage allocation to the District shall be increased from 13.4% to 35.74%.

## San Diego Community College District

Agency annually allocates a percentage share of gross tax increment generated by the Original Area commencing in FY 1993-94 based upon the following tax increment revenue thresholds:

- 0.39% commencing in FY 1993-94
- 0.78% commencing in the first year after annual tax increment equals \$500,000
- 1.29% commencing in the first year after annual tax increment equals \$3 million
- 1.94% commencing in the first year after annual tax increment equals \$6 million

The Agreement further provides that beginning in the first fiscal year after the cumulative Property Tax Increment allocated and paid to the Agency from the Original Area equals \$125,987,000, and until the amount allocated and paid to the Agency reaches the limit of \$142,000,000, the percentage allocation to the District shall be increased from 1.94% to 5.16%.

### **4.3 Statutory Pass Through Allocations**

- ***Southcrest and Mount Hope***

The projections include statutory pass through obligations triggered by the Corporation's adoption of Ordinances 19484 and 19417, to eliminate the debt incurrence time limit for the Southcrest and Mount Hope Project Areas, pursuant to SB 211. The statutory pass through obligations (set forth under Health and Safety Code Section 33607.7) commence the first year following the fiscal year in which the repealed debt incurrence time limit would have taken effect without the Summary Ordinance and continue, for purposes of this projection, for as long as the Agency is eligible to receive tax increment revenues from the Southcrest and Mount Hope Project Areas. Taxing agencies that do not have existing pass through agreements are eligible to receive their allocation of the resulting statutory pass through.

- ***Central Imperial Amendment No. 2 and No. 3***

Central Imperial Amendment No. 2 and No. 3 are subject to the statutory pass through requirements of AB 1290 which provides for specific formulas for payments to be made by the Agency to affected taxing entities as follows: (1) from the first fiscal year in which the Agency receives tax increment until the last fiscal year in which the Agency receives the tax increment, 25% of the tax increments are passed through to the entities (net of the 20% Housing set aside); (2) commencing in the eleventh year, an additional 21% of the tax increment in excess of the tenth year tax increment is passed through to the entities (net of the 20% housing set aside); and (3) commencing in the thirty first year, an additional 14% of the tax increment in excess of the thirtieth year tax increment is passed through to the entities (net of the 20% housing set aside).

## **5. TAX INCREMENT REVENUE PROJECTION**

### **5.1 Tax Increment Revenues**

Property tax revenues in excess of the amount resulting from the valuation shown on the assessment roll for the base year of each of the Project Areas is referred to as tax increment. The base year for each of the Project Areas represents the fiscal year in which taxable property was last equalized prior to the effective date of the ordinance approving each Project Area's Redevelopment Plan.

The projections of tax increment revenues shown on Tables 6.1 through 6.3 are based upon the FY 2006-07 incremental assessed values reported by the County Auditor-Controller. The application of the Proposition 13 inflationary increase to Real Property values, plus any anticipated values added from new developments identified by Agency staff, results in the estimate of future Project Area values.

### **5.2 New Development Value Added**

The new developments identified by Agency staff included projects recently completed, but whose taxable values are not reflected on the tax roll; projects currently under construction and projects soon to be built on specific sites in each of the Project Areas within the coming two years. Speculative projects without Agency identified construction commencement date have not been included in our analysis.

	<u>Development Scope</u>	<u>Real Property Value Added</u>	<u>Timing on County Tax Roll</u>
<b><u>Central Imperial:</u></b>			
Encanto Urban Village	26 DU	\$7,318,000	FY 2007-08/ 2008-09
Imperial Marketplace Pads	41,000 sq ft	\$6,150,000	FY 2009-10
Valencia Business Park	55,000 sq ft	\$9,900,000	FY 2009-10
Lincoln Park Paseo	35 DU	\$14,000,000	FY 2009-10
Har-Bro Industrial Site	30,000 sq ft	\$4,500,000	FY 2009-10
<b><u>Southcrest:</u></b>			
Legacy Walk	104 DU	\$44,720,000	FY 2007-08/ 2008-09
Northgate Supermarket Rehab		\$1,000,000	FY 2007-08

The anticipated development values incorporated in the tax increment revenue projection are shown on Tables 5 for both Real and Personal Property. The amount of new development values anticipated to be added to the future property tax rolls are assumed to be as of the January 1st lien date of each year, based upon research prepared by the Corporation.

### **5.3 Trended Taxable Value Growth**

The tax increment revenue projections are summarized on Tables 6.1 through 6.3 commencing with the reported values in FY 2006-07. Each projection incorporates the valuation assumptions previously discussed in this Report. Each projection is separated into Real Property and Personal Property values. The projected growth in Real Property taxable values has been limited to anticipated value added from the identified new developments discussed above, and the maximum annual inflationary factor allowed under Proposition 13.

Each projection assumes that future inflationary growth commencing in FY 2007-08 will be at least 2% per year. Future Personal Property values are assumed to stabilize at the previous year level. Net tax increment revenue represents the Gross tax increment revenue and Unitary tax revenues less statutory pass through payments, pass through agreement allocations, County administrative fees authorized under SB 2557 and Housing Set Aside.

### **5.4 Caveats**

The projection reflects KMA's understanding of the assessment and tax apportionment procedures employed by the County. The County procedures are subject to change as a reflection of policy revisions or legislative mandate. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections. Assumptions have also been made that Unitary tax revenues will continue to be allocated in the manner discussed herein and that legislatively-mandated payments to the State will not be required in future fiscal years. These assumptions reflect existing State policies and are subject to future legislative changes.

No assurances are provided by KMA as to the certainty of the projected tax increment revenues shown on Tables 6.1 through 6.4. Actual revenues may be higher or lower than what has been projected and are subject to valuation changes resulting from new developments or transfers of ownership not specifically identified herein, actual resolution of outstanding appeals, future filing of appeals, or the non-payment of taxes due.

## **Mount Hope Project Area**

### **Tables 1.1 to 4.1**

Historic Assessed Values  
Values by Land Use  
Ten Largest Assesseees  
Historic Receipts to Levy Analysis

**Table 5**  
New development Value Added

**Table 6.1**  
Tax Increment Revenue Projection

**Table 1.1**  
**Historic Project Area Assessed Values**  
**Mount Hope Project Area**  
**Southeastern Economic Development Corporation**

	2001-02	2002-03	% Chg	2003-04	% Chg	2004-05	% Chg	2005-06	% Chg	2006-07	% Chg	Total % Chg
<b>I. Secured:</b>												
Land	34,339,293	36,813,936	7.21%	39,487,451	7.26%	44,615,655	12.99%	49,692,101	11.38%	55,883,492	12.46%	
Improvements	59,383,317	64,145,262	8.02%	69,269,099	7.99%	75,927,894	9.61%	80,356,539	5.83%	87,382,555	8.74%	
Personal Property	2,300,076	0	-100.0%	59,968	0.00%	56,990	-4.97%	104,288	82.99%	104,288	0.00%	
Exemptions	905,142	904,723	-0.05%	9,748,051	977.46%	12,391,718	27.12%	12,689,004	2.40%	12,940,682	1.98%	
<b>Total Secured</b>	<b>95,117,544</b>	<b>100,054,475</b>	<b>5.19%</b>	<b>99,068,467</b>	<b>-0.99%</b>	<b>108,208,821</b>	<b>9.23%</b>	<b>117,463,924</b>	<b>8.55%</b>	<b>130,429,653</b>	<b>11.04%</b>	<b>7.42%</b>
<b>II. Unsecured:</b>												
Land	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Improvements	4,463,009	5,561,118	24.60%	5,771,429	3.78%	5,355,467	-7.21%	7,733,646	44.41%	8,530,054	10.30%	
Personal Property	11,804,758	15,030,497	27.33%	12,767,802	-15.05%	12,907,396	1.09%	15,560,487	20.55%	15,569,074	0.06%	
Exemptions	0	0	0.00%	7,040	0.00%	1,799,988	25468%	1,662,297	-7.65%	1,106,536	-33.43%	
<b>Total Unsecured</b>	<b>16,267,767</b>	<b>20,591,615</b>	<b>26.58%</b>	<b>18,532,191</b>	<b>-10.00%</b>	<b>16,462,875</b>	<b>-11.17%</b>	<b>21,631,836</b>	<b>31.40%</b>	<b>22,992,592</b>	<b>6.29%</b>	<b>8.27%</b>
<b>III. Total</b>												
Land	34,339,293	36,813,936	7.21%	39,487,451	7.26%	44,615,655	12.99%	49,692,101	11.38%	55,883,492	12.46%	
Improvements	63,846,326	69,706,380	9.18%	75,040,528	7.65%	81,283,361	8.32%	88,090,185	8.37%	95,912,609	8.88%	
Personal Property	14,104,834	15,030,497	6.56%	12,827,770	-14.66%	12,964,386	1.07%	15,664,775	20.83%	15,673,362	0.05%	
Exemptions	905,142	904,723	-0.05%	9,755,091	978.24%	14,191,706	45.48%	14,351,301	1.12%	14,047,218	-2.12%	
<b>Total</b>	<b>111,385,311</b>	<b>120,646,090</b>	<b>8.31%</b>	<b>117,600,658</b>	<b>-2.52%</b>	<b>124,671,696</b>	<b>6.01%</b>	<b>139,095,760</b>	<b>11.57%</b>	<b>153,422,245</b>	<b>10.30%</b>	<b>7.55%</b>

Source: San Diego County Assessor  
Prepared by Keyser Marston Associates, Inc.  
Filename: 10MountHope.xls: T1 Hist: 3/8/2007: NYM

**Table 2.1**  
**Values by Use - FY 2006-07**  
**Mount Hope Project Area**  
**Southeastern Economic Development Corporation**

Reported Use	Parcel Count	Reported Assessed Value (1)	% of Value (2)
Residential - Single Family	311	41,737,084	27.2%
Residential - Multi-Family	161	28,019,095	18.3%
Residential - Vacant	30	2,706,154	1.8%
<b>Subtotal - Residential</b>	<b>502</b>	<b>72,462,333</b>	<b>47.2%</b>
Industrial - Light Manufacturing	7	14,690,373	9.6%
Industrial - Warehouse	4	10,102,843	6.6%
Industrial - Auto	2	47,774	0.0%
Industrial - Vacant	13	529,598	0.3%
<b>Subtotal - Industrial</b>	<b>26</b>	<b>25,370,588</b>	<b>16.5%</b>
Commercial - Retail	20	25,312,634	16.5%
Commercial - Office	1	4,967,909	3.2%
Commercial - Vacant	14	1,038,861	0.7%
<b>Subtotal - Commercial</b>	<b>35</b>	<b>31,319,404</b>	<b>20.4%</b>
Miscellaneous	22	28,000	0.0%
Government / Institution / Recreation	9	1,249,328	0.8%
Unsecured	-	22,992,592	15.0%
<b>Total Reported Value</b>	<b>594</b>	<b>153,422,245</b>	<b>100.0%</b>

(1) Based on 2006-07 data from San Diego County Assessor's Office.

(2) Based upon reported FY 2006-07 Secured, Unsecured, and SBE value of \$153,422,245.

**Table 3.1****Ten Largest Assessee - FY 2006-07 Values****Mount Hope Project Area****Southeastern Economic Development Corporation**

Assessee Name	General Property Use	No. of Parcels	2006-07 Secured Value	% of Project Total (1)	% of Tax Increment Total (2)
1 Costco Wholesale Corporation	Com - Store	1	14,264,442	9.30%	10.54%
Costco Wholesale Corporation	Unsecured	1	2,628,713	1.71%	1.94%
		2	16,893,155	11.01%	12.48%
2 Commercial Press Inc.	Unsecured	1	7,445,302	4.85%	5.50%
3 Gateway Knitting LTD	Ind - Warehouse	1	6,920,208	4.51%	5.11%
4 Jaygee Realty Co. (3)	Ind - Light Manufacturing	1	6,400,000	4.17%	4.73%
5 Angelica Textiles Service Inc.	Unsecured	1	5,166,123	3.37%	3.82%
6 Gateway SMP LLC	Com - Medical Office	1	4,967,909	3.24%	3.67%
7 Loftin Business Forms Inc.	Unsecured	1	4,210,941	2.74%	3.11%
8 Tepner Gary-Sage Ptnshp	Com - Store	1	4,079,534	2.66%	3.01%
9 Paradise Donald D Trust	Ind - Light Manufacturing	1	3,775,062	2.46%	2.79%
10 Treviso LP	Com - Store	12	3,500,000	2.28%	2.59%
	TOTALS	22	63,358,234	41.30%	46.81%

(1) Based upon reported FY 2006-07 value of \$153,422,245.

(2) Based upon reported FY tax increment value of \$135,357,763.

(3) Property was sold in February 2007 to Paul Owhadi for \$6.4 million.

Source: San Diego County Assessor

Prepared by Keyser Marston Associates, Inc.

Filename: 10MountHope.xls: T3 Top10 2006-07: 3/8/2007]: NYM

**Table 4.1**  
**Historic Receipts to Levy Analysis**  
**Mount Hope Project Area**  
**Southeastern Economic Development Corporation**

	2001-02	2002-03	2003-04	2004-05	2005-06
I. Reported Assessed Value:					
Total Project Value (1)	111,385,311	120,646,090	117,600,658	124,671,696	139,095,760
Less Base Value	18,064,482	18,064,482	18,064,482	18,064,482	18,064,482
Incremental Value	93,320,829	102,581,608	99,536,176	106,607,214	121,031,278
Tax Rate (2)	1.109485%	1.108417%	1.029701%	1.010950%	1.010307%
II. Gross Tax Increment	1,035,381	1,137,032	1,024,925	1,077,745	1,222,788
Unitary Tax	11,090	11,348	8,448	7,367	7,664
County Admin Charge	(4,810)	(4,721)	(7,896)	(8,818)	(8,516)
Total Computed Levy	1,041,660	1,143,659	1,025,477	1,076,295	1,221,936
III. Total Receipts (3)	1,022,553	1,127,371	1,012,179	1,059,434	1,196,445
% Variance from Computed Levy	98.17%	98.58%	98.70%	98.43%	97.91%
Average Collection					98.36%

(1) Amounts shown are as reported by the County Auditor-Controller.

(2) Reflects a computed tax override rate based upon the tax revenues allocated by the County Auditor-Controller.

(3) Total receipts represent actual annual amounts allocated for the current fiscal year. Supplemental taxes, roll corrections, tax refunds, prior year delinquencies and penalties, and interest payments are not reflected in these totals.

Source: San Diego County Auditor-Controller Year-End Agency Trust Fund Summaries

Prepared by Keyser Marston Associates, Inc.

Filename: 10MountHope.xls: T4 LEVY: 3/8/2007: NYM

**Table 5**  
**New Development Value Added**  
**All Redevelopment Project Areas**  
**Southeastern Economic Development Corp.**

	Scope	Unit Value	Total Value	Less 2006-07	Value Added	1	2	3	4					
						2007-08	2008-09	2009-10	2010-11					
<b>CENTRAL IMPERIAL PROJECT</b>														
<b>Real Property:</b>														
1	Encanto Urban Village - Townhomes	22 DU	380,000	8,360,000	(2,762,000)	5,598,000	1,526,727	4,071,273	-					
2	Encanto Urban Village - Detached	4 DU	430,000	1,720,000	-	1,720,000	1,720,000	-	-					
3	Imperial Marketplace - 2 Pads	41,000 sq ft	150	6,150,000		6,150,000	-	-	6,150,000					
4	Valencia Business Park - Industrial Park	55,000 sq ft	180	9,900,000	-	9,900,000	-	9,900,000	-					
5	Lincoln Park Paseo - Residential	35 DU	400,000	14,000,000	-	14,000,000	-	14,000,000	-					
6	Har-Bro Site - Industrial Park	30,000 sq ft	150	4,500,000	-	4,500,000	-	4,500,000	-					
Total Real Property Value Added				44,630,000	(2,762,000)	41,868,000	3,246,727	4,071,273	34,550,000					
									0					
<b>Personal Property:</b>														
7	Imperial Marketplace - 2 Pads	41,000 sq ft	50	2,050,000		2,050,000	-	-	2,050,000					
8	Valencia Business Park - Industrial Park	55,000 sq ft	15	825,000	-	825,000	-	-	825,000					
9	Har-Bro Site - Industrial Park	30,000 sq ft	15	450,000	-	450,000	-	450,000	-					
Total Personal Property Value Added				3,325,000	0	3,325,000	0	0	450,000					
									2,875,000					
<b>SOUTHCREST PROJECT</b>														
<b>Real Property:</b>														
10	Legacy Walk - Residential	104 DU	430,000	44,720,000	-	44,720,000	26,832,000	17,888,000	-					
11	Northgate Supermarket Rehab			1,000,000		1,000,000	1,000,000	-	-					
Total Real Property Value Added				45,720,000	0	45,720,000	27,832,000	17,888,000	0					
									0					

Source: SEDC Staff identified projects.

Prepared by Keyser Marston Associates, Inc.

Filename: TI\_2007-03-08.xls: Development: 3/8/2007: Page 1 of 1

**Table 6.1****Tax Increment Revenue Projection****Mount Hope Redevelopment Project****Southeastern Economic Development Corp.**

(000's Omitted)

	Plan Year											
	24	25	26	27	28	29	30	31	32	33	34	
	Reported 2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	
<b>I. Real Property Value</b>												
Prop 13 Inflationary Growth	130,325	130,325	132,932	135,591	138,302	141,068	143,890	146,768	149,703	152,697	155,751	
New Development Value Added	0	2,607	2,659	2,712	2,766	2,821	2,878	2,935	2,994	3,054	3,115	
Total Real Property Value	130,325	132,932	135,591	138,302	141,068	143,890	146,768	149,703	152,697	155,751	158,866	
<b>II. Personal Property</b>												
New Development Value Added	23,097	23,097	23,097	23,097	23,097	23,097	23,097	23,097	23,097	23,097	23,097	
Total Personal Property Value	0	0	0	0	0	0	0	0	0	0	0	
<b>III. Total Project Value</b>												
Less Base Value	153,422	156,029	158,687	161,399	164,165	166,987	169,864	172,800	175,794	178,848	181,963	
Incremental Value	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	
	135,358	137,964	140,623	143,335	146,101	148,922	151,800	154,735	157,729	160,783	163,898	
<b>IV. Gross Tax Revenue</b>												
Unitary Tax Revenue	1,354	1,380	1,406	1,433	1,461	1,489	1,518	1,547	1,577	1,608	1,639	
TI in Excess of Revenue Cap of	8	8	8	8	8	8	8	8	8	8	8	
Subtotal	47,000	0	0	0	0	0	0	0	0	0	0	
County Admin Charge at	1,361	1,387	1,414	1,441	1,469	1,497	1,526	1,555	1,585	1,615	1,647	
Total Gross Tax Increment	-0.68%	(9)	(9)	(10)	(10)	(10)	(10)	(11)	(11)	(11)	(11)	
<b>V. Net Tax Increment (non-Housing)</b>												
Housing Set Aside	1,080	1,100	1,122	1,143	1,165	1,187	1,210	1,233	1,257	1,281	1,306	
20%	272	277	283	288	294	299	305	311	317	323	329	
SB 211 Statutory Pass Through	(66)	(71)	(76)	(82)	(87)	(93)	(98)	(104)	(115)	(127)	(138)	
Net Tax Increment After Tax Sharing	1,014	1,030	1,045	1,061	1,078	1,095	1,112	1,129	1,142	1,155	1,168	

**Table 6.1**

**Tax Increment Revenue Projection**  
**Mount Hope Redevelopment Project**  
**Southeastern Economic Development Corp.**

(000's Omitted)	35	36	37	38	39	40	41	42	43	44	45	
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Plan limit 11-22-2022	2023-24	2024-25	2025-26	2026-27	2027-28
<b>I. Real Property Value</b>	158,866	162,043	165,284	168,590	171,962	175,401	178,909	182,487	186,137	189,859	193,657	
Prop 13 Inflationary Growth	3,177	3,241	3,306	3,372	3,439	3,508	3,578	3,650	3,723	3,797	3,873	
New Development Value Added	0	0	0	0	0	0	0	0	0	0	0	
Total Real Property Value	162,043	165,284	168,590	171,962	175,401	178,909	182,487	186,137	189,859	193,657	197,530	
<b>II. Personal Property</b>	23,097	23,097	23,097	23,097	23,097	23,097	23,097	23,097	23,097	23,097	23,097	
New Development Value Added	0	0	0	0	0	0	0	0	0	0	0	
Total Personal Property Value	23,097	23,097	23,097	23,097	23,097	23,097	23,097	23,097	23,097	23,097	23,097	
<b>III. Total Project Value</b>	185,140	188,381	191,687	195,058	198,498	202,006	205,584	209,234	212,956	216,754	220,627	
Less Base Value	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)	
Incremental Value	167,076	170,316	173,622	176,994	180,433	183,941	187,519	191,169	194,892	198,689	202,562	
<b>IV. Gross Tax Revenue</b>	1,671	1,703	1,736	1,770	1,804	1,839	1,875	1,912	1,949	1,987	2,026	
Unitary Tax Revenue	8	8	8	8	8	8	8	8	8	8	8	
TI in Excess of Revenue Cap of	47,000	0	0	0	0	0	0	0	(953)	(1,995)	(2,033)	
Subtotal	1,678	1,711	1,744	1,778	1,812	1,847	1,883	1,919	1,003	0	0	
County Admin Charge at	-0.68%	(11)	(12)	(12)	(12)	(13)	(13)	(13)	(7)	0	0	
Total Gross Tax Increment	1,667	1,699	1,732	1,766	1,800	1,835	1,870	1,906	996	0	0	
<b>V. Net Tax Increment (non-Housing)</b>	1,331	1,357	1,383	1,410	1,437	1,465	1,493	1,522	796	0	0	
<b>Housing Set Aside</b>	20%	336	342	349	356	362	377	384	201	0	0	
SB 211 Statutory Pass Through	(150)	(162)	(174)	(186)	(199)	(212)	(225)	(238)	0	0	0	
Net Tax Increment After Tax Sharing	1,182	1,195	1,209	1,224	1,238	1,253	1,269	1,284	796	0	0	

**Table 6.1**  
**Tax Increment Revenue Projection**  
**Mount Hope Redevelopment Project**  
**Southeastern Economic Development Corp.**  
**(000's Omitted)**

	46	47	48	49	50
	TI Receipts Limit 11-22-2032				
	2028-29	2029-30	2030-31	2031-32	2032-33
<b>I. Real Property Value</b>	197,530	201,480	205,510	209,620	213,813
Prop 13 Inflationary Growth	3,951	4,030	4,110	4,192	4,276
New Development Value Added	0	0	0	0	0
Total Real Property Value	201,480	205,510	209,620	213,813	218,089
<b>II. Personal Property</b>	23,097	23,097	23,097	23,097	23,097
New Development Value Added	0	0	0	0	0
Total Personal Property Value	23,097	23,097	23,097	23,097	23,097
<b>III. Total Project Value</b>	224,577	228,607	232,717	236,909	241,186
Less Base Value	(18,064)	(18,064)	(18,064)	(18,064)	(18,064)
Incremental Value	206,513	210,542	214,653	218,845	223,121
<b>IV. Gross Tax Revenue</b>	2,065	2,105	2,147	2,188	0
Unitary Tax Revenue	8	8	8	8	0
TI in Excess of Revenue Cap of	47,000	(2,073)	(2,113)	(2,154)	(2,196)
Subtotal	0	0	0	0	0
County Admin Charge at	-0.68%	0	0	0	0
Total Gross Tax Increment	0	0	0	0	0
<b>V. Net Tax Increment (non-Housing)</b>	0	0	0	0	0
<b>Housing Set Aside</b>	20%	0	0	0	0
SB 211 Statutory Pass Through	0	0	0	0	0
Net Tax Increment After Tax Sharing	0	0	0	0	0

## **Southcrest Project Area**

**Tables 1.2 to 4.2**  
Historic Assessed Values  
Values by Land Use  
Ten Largest Assesseees  
Historic Receipts to Levy Analysis

**Table 5**  
New development Value Added

**Table 6.2**  
Tax Increment Revenue Projection

**Table 1.2**  
**Historic Project Area Assessed Values**  
**Southcrest Project Area**  
**Southeastern Economic Development Corporation**

	2001-02	2002-03	% Chg	2003-04	% Chg	2004-05	% Chg	2005-06	% Chg	2006-07	% Chg	Total % Chg
<b>I. Secured:</b>												
Land	44,627,556	47,883,347	7.30%	52,551,454	9.75%	64,849,795	23.40%	84,291,447	29.98%	108,640,835	28.89%	
Improvements	65,689,406	72,952,661	11.06%	79,442,394	8.90%	93,132,432	17.23%	120,880,530	29.79%	137,607,969	13.84%	
Personal Property	7,468	22,452	200.64%	19,056	-15.13%	19,463	2.14%	7,468	-61.63%	7,468	0.00%	
Exemptions	6,549,979	6,569,304	0.30%	8,771,971	33.53%	7,737,932	-11.79%	14,993,304	93.76%	15,827,121	5.56%	
<b>Total Secured</b>	<b>103,774,451</b>	<b>114,289,156</b>	<b>10.13%</b>	<b>123,240,933</b>	<b>7.83%</b>	<b>150,263,758</b>	<b>21.93%</b>	<b>190,186,141</b>	<b>26.57%</b>	<b>230,429,151</b>	<b>21.16%</b>	<b>24.41%</b>
<b>II. Unsecured:</b>												
Land	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Improvements	1,954,094	2,181,760	11.65%	2,104,108	-3.56%	1,723,985	-18.07%	1,987,706	15.30%	1,462,984	-26.40%	
Personal Property	2,235,794	2,466,797	10.33%	2,453,062	-0.56%	2,029,450	-17.27%	2,170,731	6.96%	1,424,766	-34.36%	
Exemptions	90,562	0	-100.00%	18,756	0.00%	139,142	641.85%	72,710	-47.74%	33,829	-53.47%	
<b>Total Unsecured</b>	<b>4,099,326</b>	<b>4,648,557</b>	<b>13.40%</b>	<b>4,538,414</b>	<b>-2.37%</b>	<b>3,614,293</b>	<b>-20.36%</b>	<b>4,085,727</b>	<b>13.04%</b>	<b>2,853,921</b>	<b>-30.15%</b>	<b>-6.08%</b>
<b>III. Total</b>												
Land	44,627,556	47,883,347	7.30%	52,551,454	9.75%	64,849,795	23.40%	84,291,447	29.98%	108,640,835	28.89%	
Improvements	67,643,500	75,134,421	11.07%	81,546,502	8.53%	94,856,417	16.32%	122,868,236	29.53%	139,070,953	13.19%	
Personal Property	2,243,262	2,489,249	10.97%	2,472,118	-0.69%	2,048,913	-17.12%	2,178,199	6.31%	1,432,234	-34.25%	
Exemptions	6,640,541	6,569,304	-1.07%	8,790,727	33.82%	7,877,074	-10.39%	15,066,014	91.26%	15,860,950	5.28%	
<b>Total</b>	<b>107,873,777</b>	<b>118,937,713</b>	<b>10.26%</b>	<b>127,779,347</b>	<b>7.43%</b>	<b>153,878,051</b>	<b>20.42%</b>	<b>194,271,868</b>	<b>26.25%</b>	<b>233,283,072</b>	<b>20.08%</b>	<b>23.25%</b>

Source: San Diego County Assessor  
Prepared by Keyser Marston Associates, Inc.  
Filename: 10Southcrest.xls: T1 Hist: 3/8/2007: NYM

**Table 2.2**  
**Values by Use - FY 2006-07**  
**Southcrest Project Area**  
**Southeastern Economic Development Corporation**

Reported Use	Parcel Count	Reported Assessed Value (1)	% of Value (2)
Residential - Single Family	708	96,181,941	41.2%
Residential - Multi-Family	487	101,493,443	43.5%
Residential - Vacant	133	7,498,389	3.2%
<b>Subtotal - Residential</b>	<b>1,328</b>	<b>205,173,773</b>	<b>88.0%</b>
<b>Subtotal - Industrial</b>	<b>2</b>	<b>35,373</b>	<b>0.0%</b>
Commercial - Retail	42	21,678,379	9.3%
Commercial - Office	4	397,312	0.2%
Commercial - Auto	2	224,175	0.1%
Commercial - Misc	3	589,260	0.3%
Commercial - Restaurant	3	1,538,966	0.7%
Commercial - Vacant	12	608,091	0.3%
<b>Subtotal - Commercial</b>	<b>66</b>	<b>25,036,183</b>	<b>10.7%</b>
Miscellaneous	1	183,822	0.1%
Unsecured	-	2,853,921	1.2%
<b>Total Reported Value</b>	<b>1,397</b>	<b>233,283,072</b>	<b>100.0%</b>

(1) Based on 2006-07 data from San Diego County Assessor's Office.

(2) Based upon reported FY 2006-07 Secured, Unsecured, and SBE value of \$233,283,072.

**Table 3.2****Ten Largest Assessee - FY 2006-07 Values****Southcrest Project Area****Southeastern Economic Development Corporation**

Assessee Name	General Property Use	No. of Parcels	2006-07 Secured Value	% of Project Total (1)	% of Tax Increment Total (2)
1 Olson 737 - San Diego 6 LLC	Residential Tract	104	15,037,756	6.45%	7.99%
2 Gon-Rey LP	Com - Drug Store	1	5,530,000	2.37%	2.94%
3 Gordon Family Trust	Com - Community Shopping Center	5	2,374,210	1.02%	1.26%
4 Somo Revocable Family Trust	Com - Store	1	2,165,000	0.93%	1.15%
5 American Stores Properties Inc.	Com - Community Shopping Center	1	1,950,216	0.84%	1.04%
6 Ajalat-Salamy	Com - Community Shopping Center	7	1,924,146	0.82%	1.02%
7 Gluck Laverne Living Trust	Com - Community Shopping Center	1	1,846,710	0.79%	0.98%
8 National Avenue LLC	Multi-Family Residential	8	1,764,184	0.76%	0.94%
9 Buncom Frank J	Multi-Family Residential	19	1,597,397	0.68%	0.85%
10 L X J Condominiums LLC	Multi-Family Residential	2	1,550,000	0.66%	0.82%
TOTALS		149	35,739,619	15.32%	19.00%

(1) Based upon reported FY 2006-07 value of \$233,283,072.

(2) Based upon reported FY tax increment value of \$188,135,015.

Source: San Diego County Assessor

Prepared by Keyser Marston Associates, Inc.

Filename: 10Southcrest.xls: T3 Top10 2006-07: 3/8/2007: NYM

**Table 4.2**  
**Historic Receipts to Levy Analysis**  
**Southcrest Project Area**  
**Southeastern Economic Development Corporation**

	2001-02	2002-03	2003-04	2004-05	2005-06
I. Reported Assessed Value:					
Total Project Value (1)	107,873,777	118,937,713	127,779,347	153,878,051	194,271,868
Less Base Value	45,148,057	45,148,057	45,148,057	45,148,057	45,148,057
Incremental Value	62,725,720	73,789,656	82,631,290	108,729,994	149,123,811
Tax Rate (2)	1.109341%	1.108255%	1.016068%	1.010825%	1.010213%
II. Gross Tax Increment	695,842	817,778	839,590	1,099,070	1,506,468
Unitary Tax	8,967	9,463	3,332	3,441	4,237
County Admin Charge	(4,909)	(4,803)	(6,211)	(8,986)	(10,978)
Total Computed Levy	699,900	822,438	836,711	1,093,524	1,499,727
III. Total Receipts (3)	687,857	809,129	825,885	1,076,925	1,469,387
% Variance from Computed Levy	98.28%	98.38%	98.71%	98.48%	97.98%
Average Collection					98.37%

(1) Amounts shown are as reported by the County Auditor-Controller.

(2) Reflects a computed tax override rate based upon the tax revenues allocated by the County Auditor-Controller.

(3) Total receipts represent actual annual amounts allocated for the current fiscal year. Supplemental taxes, roll corrections, tax refunds, prior year delinquencies and penalties, and interest payments are not reflected in these totals.

Source: San Diego County Auditor-Controller Year-End Agency Trust Fund Summaries

Prepared by Keyser Marston Associates, Inc.

Filename: 10Southcrest.xls: T4 LEVY: 3/8/2007: NYM

**Table 5**  
**New Development Value Added**  
**All Redevelopment Project Areas**  
**Southeastern Economic Development Corp.**

	Scope	Unit Value	Total Value	Less 2006-07	Value Added	1	2	3	4					
						2007-08	2008-09	2009-10	2010-11					
<b>CENTRAL IMPERIAL PROJECT</b>														
<b>Real Property:</b>														
1	Encanto Urban Village - Townhomes	22 DU	380,000	8,360,000	(2,762,000)	5,598,000	1,526,727	4,071,273	-					
2	Encanto Urban Village - Detached	4 DU	430,000	1,720,000	-	1,720,000	1,720,000	-	-					
3	Imperial Marketplace - 2 Pads	41,000 sq ft	150	6,150,000		6,150,000	-	-	6,150,000					
4	Valencia Business Park - Industrial Park	55,000 sq ft	180	9,900,000	-	9,900,000	-	9,900,000	-					
5	Lincoln Park Paseo - Residential	35 DU	400,000	14,000,000	-	14,000,000	-	14,000,000	-					
6	Har-Bro Site - Industrial Park	30,000 sq ft	150	4,500,000	-	4,500,000	-	4,500,000	-					
Total Real Property Value Added				44,630,000	(2,762,000)	41,868,000	3,246,727	4,071,273	34,550,000					
									0					
<b>Personal Property:</b>														
7	Imperial Marketplace - 2 Pads	41,000 sq ft	50	2,050,000		2,050,000	-	-	2,050,000					
8	Valencia Business Park - Industrial Park	55,000 sq ft	15	825,000	-	825,000	-	-	825,000					
9	Har-Bro Site - Industrial Park	30,000 sq ft	15	450,000	-	450,000	-	450,000	-					
Total Personal Property Value Added				3,325,000	0	3,325,000	0	0	450,000					
									2,875,000					
<b>SOUTHCREST PROJECT</b>														
<b>Real Property:</b>														
10	Legacy Walk - Residential	104 DU	430,000	44,720,000	-	44,720,000	26,832,000	17,888,000	-					
11	Northgate Supermarket Rehab			1,000,000		1,000,000	1,000,000	-	-					
Total Real Property Value Added				45,720,000	0	45,720,000	27,832,000	17,888,000	0					
									0					

Source: SEDC Staff identified projects.

Prepared by Keyser Marston Associates, Inc.

Filename: TI\_2007-03-08.xls: Development: 3/8/2007: Page 1 of 1

**Table 6.2**

**Tax Increment Revenue Projection**  
**Southcrest Redevelopment Project**  
**Southeastern Economic Development Corp.**  
**(000's Omitted)**

	Plan Year									
	21	22	23	24	25	26	27	28	29	30
	Reported 2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>I. Real Property Value</b>	230,422	230,422	262,862	286,007	291,728	297,562	303,513	309,584	315,775	322,091
Prop 13 Inflationary Growth	0	4,608	5,257	5,720	5,835	5,951	6,070	6,192	6,316	6,442
New Development Value Added	0	27,832	17,888	0	0	0	0	0	0	0
Total Real Property Value	230,422	262,862	286,007	291,728	297,562	303,513	309,584	315,775	322,091	328,533
<b>II. Personal Property</b>	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861
New Development Value Added	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861
<b>III. Total Project Value</b>	233,283	265,724	288,869	294,589	300,423	306,375	312,445	318,637	324,952	331,394
Less Base Value	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)
Incremental Value	188,135	220,575	243,721	249,441	255,275	261,227	267,297	273,489	279,804	286,246
<b>IV. Gross Tax Revenue</b>	1,881	2,206	2,437	2,494	2,553	2,612	2,673	2,735	2,798	2,862
Unitary Tax Revenue	4	4	4	4	4	4	4	4	4	4
Tax Sharing (H&S 33676)	(169)	(172)	(175)	(179)	(183)	(186)	(190)	(194)	(198)	(202)
TI in Excess of Revenue Cap of	87,000	0	0	0	0	0	0	0	0	0
Subtotal	1,717	2,038	2,266	2,320	2,374	2,430	2,487	2,545	2,605	2,665
County Admin Charge at	-0.80%	(14)	(16)	(18)	(19)	(19)	(20)	(20)	(21)	(21)
Total Gross Tax Increment	1,703	2,022	2,248	2,301	2,355	2,411	2,467	2,525	2,584	2,644
<b>V. Net Tax Increment (non-Housing)</b>	1,360	1,614	1,795	1,837	1,881	1,925	1,970	2,016	2,063	2,111
<b>Housing Set Aside</b>	20%	343	408	453	464	475	486	497	509	521
SB 211 Statutory Pass Through	(69)	(133)	(179)	(189)	(200)	(211)	(223)	(234)	(246)	(258)
Net Tax Increment After Tax Sharing	1,291	1,481	1,616	1,648	1,680	1,713	1,747	1,782	1,817	1,852

**Table 6.2**  
**Tax Increment Revenue Projection**  
**Southcrest Redevelopment Project**  
**Southeastern Economic Development Corp.**  
**(000's Omitted)**

	31	32	33	34	35	36	37	38	39	40	41
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Plan Limit 04-14-2026 2025-26	2025-26
<b>I. Real Property Value</b>											
Prop 13 Inflationary Growth	328,533	335,103	341,805	348,641	355,614	362,726	369,981	377,381	384,928	392,627	400,479
New Development Value Added	6,571	6,702	6,836	6,973	7,112	7,255	7,400	7,548	7,699	7,853	8,010
Total Real Property Value	0	0	0	0	0	0	0	0	0	0	0
	335,103	341,805	348,641	355,614	362,726	369,981	377,381	384,928	392,627	400,479	408,489
<b>II. Personal Property</b>											
New Development Value Added	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861
Total Personal Property Value	0	0	0	0	0	0	0	0	0	0	0
	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861
<b>III. Total Project Value</b>											
Less Base Value	337,965	344,667	351,503	358,476	365,588	372,842	380,242	387,790	395,488	403,341	411,350
Incremental Value	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)
	292,817	299,519	306,355	313,328	320,440	327,694	335,094	342,642	350,340	358,193	366,202
<b>IV. Gross Tax Revenue</b>											
Unitary Tax Revenue	2,928	2,995	3,064	3,133	3,204	3,277	3,351	3,426	3,503	3,582	3,662
Tax Sharing (H&S 33676)	4	4	4	4	4	4	4	4	4	4	4
TI in Excess of Revenue Cap of	(206)	(210)	(214)	(218)	(223)	(227)	(232)	(236)	(241)	(246)	(251)
Subtotal	87,000	0	0	0	0	0	0	0	0	0	0
County Admin Charge at	2,727	2,790	2,854	2,919	2,986	3,054	3,124	3,194	3,267	3,340	3,416
Total Gross Tax Increment	-0.80%	(22)	(22)	(23)	(23)	(24)	(24)	(25)	(26)	(26)	(27)
	2,705	2,767	2,831	2,896	2,962	3,030	3,099	3,169	3,241	3,314	3,388
<b>V. Net Tax Increment (non-Housing)</b>											
Housing Set Aside	20%	2,160	2,209	2,260	2,312	2,365	2,419	2,474	2,530	2,587	2,646
	545	558	571	584	597	611	625	639	653	668	683
SB 211 Statutory Pass Through	(281)	(304)	(328)	(352)	(376)	(402)	(427)	(453)	(480)	(507)	(535)
Net Tax Increment After Tax Sharing	1,879	1,905	1,932	1,960	1,989	2,017	2,047	2,077	2,108	2,139	2,171

**Table 6.2**

**Tax Increment Revenue Projection**  
**Southcrest Redevelopment Project**  
**Southeastern Economic Development Corp.**  
**(000's Omitted)**

	42	43	44	45	46	47	48	49	50	TI Receipts Limit 04-14-2036
	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	
<b>I. Real Property Value</b>										
Prop 13 Inflationary Growth	408,489	416,659	424,992	433,492	442,162	451,005	460,025	469,225	478,610	
New Development Value Added	8,170	8,333	8,500	8,670	8,843	9,020	9,200	9,385	9,572	
Total Real Property Value	0	0	0	0	0	0	0	0	0	
	416,659	424,992	433,492	442,162	451,005	460,025	469,225	478,610	488,182	
<b>II. Personal Property</b>										
New Development Value Added	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	
Total Personal Property Value	0	0	0	0	0	0	0	0	0	
	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	
<b>III. Total Project Value</b>										
Less Base Value	419,520	427,853	436,353	445,023	453,866	462,886	472,087	481,471	491,043	
Incremental Value	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	(45,148)	
	374,372	382,705	391,205	399,875	408,718	417,738	426,939	436,323	445,895	
<b>IV. Gross Tax Revenue</b>										
Unitary Tax Revenue	3,744	3,827	3,912	3,999	4,087	4,177	4,269	4,363	4,459	
Tax Sharing (H&S 33676)	4	4	4	4	4	4	4	4	4	
TI in Excess of Revenue Cap of	(256)	(261)	(266)	(271)	(277)	(282)	(288)	(294)	(300)	
Subtotal	87,000	0	0	0	0	(1,340)	(3,986)	(4,074)	(4,164)	
County Admin Charge at	3,492	3,571	3,650	3,732	3,815	2,559	0	0	0	
Total Gross Tax Increment	-0.80%	(28)	(29)	(30)	(30)	(20)	0	0	0	
	3,464	3,542	3,621	3,702	3,784	2,539	0	0	0	
<b>V. Net Tax Increment (non-Housing)</b>										
<b>Housing Set Aside</b>	20%	2,766	2,828	2,891	2,956	3,021	2,027	0	0	
	698	714	730	746	763	512	0	0	0	
SB 211 Statutory Pass Through	(563)	(592)	(621)	(651)	(681)	(237)	0	0	0	
Net Tax Increment After Tax Sharing	2,203	2,236	2,270	2,305	2,340	1,790	0	0	0	

## **Central Imperial Project Area**

### **Tables 1.3 to 4.3**

Historic Assessed Values  
Values by Land Use  
Ten Largest Assesseees  
Historic Receipts to Levy Analysis

**Table 5**  
New development Value Added

**Table 6.3**  
Tax Increment Revenue Projection

**Table 1.3**  
**Historic Project Area Assessed Values**  
**Central Imperial Project Area**

**Southeastern Economic Development Corporation**

	2001-02	2002-03	% Chg	2003-04	% Chg	2004-05	% Chg	2005-06	% Chg	2006-07	% Chg	Total % Chg
<b>I. Secured:</b>												
Land	62,530,631	75,223,274	20.30%	80,485,457	7.00%	95,055,872	18.10%	114,194,681	20.13%	127,956,762	12.05%	
Improvements	80,169,312	94,386,780	17.73%	108,822,427	15.29%	133,482,353	22.66%	157,639,703	18.10%	167,904,248	6.51%	
Personal Property	535,635	308,548	-42.40%	605,674	96.30%	432,007	-28.67%	434,744	0.63%	244,462	-43.77%	
Exemptions	15,584,789	16,092,025	3.25%	17,466,132	8.54%	20,594,388	17.91%	23,437,984	13.81%	22,593,737	-3.60%	
<b>Total Secured</b>	<b>127,650,789</b>	<b>153,826,577</b>	<b>20.51%</b>	<b>172,447,426</b>	<b>12.11%</b>	<b>208,375,844</b>	<b>20.83%</b>	<b>248,831,144</b>	<b>19.41%</b>	<b>273,511,735</b>	<b>9.92%</b>	<b>22.9%</b>
<b>II. Unsecured:</b>												
Land	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
Improvements	820,215	2,192,649	167.33%	2,819,545	28.59%	2,053,406	-27.17%	2,893,839	40.93%	4,006,984	38.47%	
Personal Property	2,838,878	2,488,781	-12.33%	6,697,033	169.09%	7,065,948	5.51%	8,388,021	18.71%	9,355,229	11.53%	
Exemptions	691,095	5,000	-99.28%	474,723	9394.46%	556,511	17.23%	575,055	3.33%	417,592	-27.38%	
<b>Total Unsecured</b>	<b>2,967,998</b>	<b>4,676,430</b>	<b>57.56%</b>	<b>9,041,855</b>	<b>93.35%</b>	<b>8,562,843</b>	<b>-5.30%</b>	<b>10,706,805</b>	<b>25.04%</b>	<b>12,944,621</b>	<b>20.90%</b>	<b>67.2%</b>
<b>III. Total</b>												
Land	62,530,631	75,223,274	20.30%	80,485,457	7.00%	95,055,872	18.10%	114,194,681	20.13%	127,956,762	12.05%	
Improvements	80,989,527	96,579,429	19.25%	111,641,972	15.60%	135,535,759	21.40%	160,533,542	18.44%	171,911,232	7.09%	
Personal Property	3,374,513	2,797,329	-17.10%	7,302,707	161.06%	7,497,955	2.67%	8,822,765	17.67%	9,599,691	8.81%	
Exemptions	16,275,884	16,097,025	-1.10%	17,940,855	11.45%	21,150,899	17.89%	24,013,039	13.53%	23,011,329	-4.17%	
<b>Total</b>	<b>130,618,787</b>	<b>158,503,007</b>	<b>21.35%</b>	<b>181,489,281</b>	<b>14.50%</b>	<b>216,938,687</b>	<b>19.53%</b>	<b>259,537,949</b>	<b>19.64%</b>	<b>286,456,356</b>	<b>10.37%</b>	<b>23.9%</b>

Source: San Diego County Assessor  
Prepared by Keyser Marston Associates, Inc.  
Filename: 10CentralImperial.xls: T1 Hist: 3/8/2007: NYM

**Table 2.3**  
**Values by Use - FY 2006-07**  
**Central Imperial Project Area**  
**Southeastern Economic Development Corporation**

Reported Use	Parcel Count	Reported Assessed Value (1)	% of Value (2)
Residential - Single Family	494	90,211,408	31.5%
Residential - Multi-Family	247	71,817,157	25.1%
Residential - Vacant	67	7,758,744	2.7%
<b>Subtotal - Residential</b>	<b>808</b>	<b>169,787,309</b>	<b>59.3%</b>
Industrial - Light Manufacturing	1	551,412	0.2%
Industrial - Warehouse	12	10,822,872	3.8%
Industrial - Other	5	1,521,630	0.5%
Industrial - Vacant	7	2,587,643	0.9%
<b>Subtotal - Industrial</b>	<b>25</b>	<b>15,483,557</b>	<b>5.4%</b>
Commercial - Retail	68	58,484,506	20.4%
Commercial - Office	4	5,938,865	2.1%
Commercial - Auto	6	2,337,305	0.8%
Commercial - Other	5	8,430,379	2.9%
Commercial - Restaurant	4	2,850,798	1.0%
Commercial - Vacant	28	9,624,903	3.4%
<b>Subtotal - Commercial</b>	<b>115</b>	<b>87,666,756</b>	<b>30.6%</b>
Miscellaneous	1	431,486	0.2%
Government / Institution / Recreation	13	142,627	0.0%
Unsecured	-	12,944,621	4.5%
<b>Total Reported Value</b>	<b>962</b>	<b>286,456,356</b>	<b>100.0%</b>

(1) Based on 2006-07 data from San Diego County Assessor's Office.

(2) Based upon reported FY 2006-07 Secured, Unsecured, and SBE value of \$286,456,356.

**Table 3.3****Ten Largest Assessee - FY 2006-07 Values****Central Imperial Project Area****Southeastern Economic Development Corporation**

Assessee Name	General Property Use	No. of Parcels	2006-07 Secured Value	% of Project Total (1)	% of Tax Increment Total (2)
1 Jacobs Facilities LLC	Com - Shopping Center / Vacant	2	19,303,102	6.74%	9.44%
Jacobs Center for Non Profit	Unsecured	1	31,798	0.01%	0.02%
		3	19,334,900	6.75%	9.45%
2 PDP Imperial Partners LLC	Com - Store, Restaurant	6	19,203,166	6.70%	9.39%
3 HD Development of Maryland Inc.	Com - Store	1	12,172,680	4.25%	5.95%
4 Southeast Medical Center Assoc.	Com - Medical Office	1	5,398,024	1.88%	2.64%
5 Innoprize XVI LLC	Com - Trailer Park/ Vacant	3	4,794,000	1.67%	2.34%
6 Northwest Village LLC	Com - Store, Restaurant, Radio Station	4	4,678,833	1.63%	2.29%
7 Mundt William R Trust	Multi-Family Residential	1	4,001,894	1.40%	1.96%
8 Guymon/Euclid Partners LLC	Multi-Family Residential	1	3,554,700	1.24%	1.74%
9 St. Stephens Housing Partners LP	Multi-Family Residential	1	3,047,760	1.06%	1.49%
10 5335 Market Street LLC	Ind - Warehouse	1	2,914,515	1.02%	1.43%
	TOTALS	22	79,100,472	27.61%	38.68%

(1) Based upon reported FY 2006-07 value of \$286,456,356.

(2) Based upon reported FY 2006-07 tax increment value of \$204,516,336.

Source: San Diego County Assessor

Prepared by Keyser Marston Associates, Inc.

Filename: 10CentralImperial.xls: T3 Top10 2006-07: 3/8/2007: NYM

**Table 4.3**  
**Historic Receipts to Levy Analysis**  
**Central Imperial Project Area**  
**Southeastern Economic Development Corporation**

	2001-02	2002-03	2003-04	2004-05	2005-06
I. Reported Assessed Value:					
Total Project Value (1)	130,618,787	158,503,007	181,489,281	216,938,687	259,537,949
Less Base Value	81,940,020	81,940,020	81,940,020	81,940,020	81,940,020
Incremental Value	48,678,767	76,562,987	99,549,261	134,998,667	177,597,929
Tax Rate (2)	1.093415%	1.111075%	1.017887%	1.010836%	1.010222%
II. Gross Tax Increment	532,261	850,672	1,013,299	1,364,615	1,794,134
Unitary Tax	426	406	597	604	608
County Admin Charge	(3,747)	(12,630)	(11,370)	(14,691)	(15,424)
Total Computed Levy	528,940	838,448	1,002,526	1,350,528	1,779,318
III. Total Receipts (3)	528,938	845,562	989,585	1,342,641	1,753,250
% Variance from Computed Levy	100.00%	100.85%	98.71%	99.42%	98.53%
Average Collection					99.50%

(1) Amounts shown are as reported by the County Auditor-Controller.

(2) Reflects a computed tax override rate based upon the tax revenues allocated by the County Auditor-Controller.

(3) Total receipts represent actual annual amounts allocated for the current fiscal year. Supplemental taxes, roll corrections, tax refunds, prior year delinquencies and penalties, and interest payments are not reflected in these totals.

Source: San Diego County Auditor-Controller Year-End Agency Trust Fund Summaries

Prepared by Keyser Marston Associates, Inc.

Filename: 10CentralImperial.xls: T4 LEVY: 3/8/2007: NYM

**Table 5**  
**New Development Value Added**  
**All Redevelopment Project Areas**  
**Southeastern Economic Development Corp.**

	Scope	Unit Value	Total Value	Less 2006-07	Value Added	1	2	3	4					
						2007-08	2008-09	2009-10	2010-11					
<b>CENTRAL IMPERIAL PROJECT</b>														
<b>Real Property:</b>														
1	Encanto Urban Village - Townhomes	22 DU	380,000	8,360,000	(2,762,000)	5,598,000	1,526,727	4,071,273	-					
2	Encanto Urban Village - Detached	4 DU	430,000	1,720,000	-	1,720,000	1,720,000	-	-					
3	Imperial Marketplace - 2 Pads	41,000 sq ft	150	6,150,000		6,150,000	-	-	6,150,000					
4	Valencia Business Park - Industrial Park	55,000 sq ft	180	9,900,000	-	9,900,000	-	9,900,000	-					
5	Lincoln Park Paseo - Residential	35 DU	400,000	14,000,000	-	14,000,000	-	14,000,000	-					
6	Har-Bro Site - Industrial Park	30,000 sq ft	150	4,500,000	-	4,500,000	-	4,500,000	-					
Total Real Property Value Added				44,630,000	(2,762,000)	41,868,000	3,246,727	4,071,273	34,550,000					
									0					
<b>Personal Property:</b>														
7	Imperial Marketplace - 2 Pads	41,000 sq ft	50	2,050,000		2,050,000	-	-	2,050,000					
8	Valencia Business Park - Industrial Park	55,000 sq ft	15	825,000	-	825,000	-	-	825,000					
9	Har-Bro Site - Industrial Park	30,000 sq ft	15	450,000	-	450,000	-	450,000	-					
Total Personal Property Value Added				3,325,000	0	3,325,000	0	0	450,000					
									2,875,000					
<b>SOUTHCREST PROJECT</b>														
<b>Real Property:</b>														
10	Legacy Walk - Residential	104 DU	430,000	44,720,000	-	44,720,000	26,832,000	17,888,000	-					
11	Northgate Supermarket Rehab			1,000,000		1,000,000	1,000,000	-	-					
Total Real Property Value Added				45,720,000	0	45,720,000	27,832,000	17,888,000	0					
									0					

Source: SEDC Staff identified projects.

Prepared by Keyser Marston Associates, Inc.

Filename: TI\_2007-03-08.xls: Development: 3/8/2007: Page 1 of 1

**Table 6.3****Tax Increment Revenue Projection****Central Imperial Redevelopment Project****- Original and Amendments 2 & 3****Southeastern Economic Development Corp.****(000's Omitted)**

	Reported									
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>I. Real Property Value</b>	273,267	273,267	281,979	291,690	332,074	338,715	345,490	352,400	359,448	366,637
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
Prop 13 Inflationary Growth	0	5,465	5,640	5,834	6,641	6,774	6,910	7,048	7,189	7,333
New Development Value Addec	0	3,247	4,071	34,550	0	0	0	0	0	0
Total Real Property Value	273,267	281,979	291,690	332,074	338,715	345,490	352,400	359,448	366,637	373,969
<b>II. Personal Property</b>	13,189	13,189	13,189	13,189	13,639	16,514	16,514	16,514	16,514	16,514
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
New Development Value Addec	0	0	0	450	2,875	0	0	0	0	0
Total Personal Property Value	13,189	13,189	13,189	13,639	16,514	16,514	16,514	16,514	16,514	16,514
<b>III. Total Project Value</b>	286,456	295,168	304,879	345,713	355,230	362,004	368,914	375,962	383,151	390,483
Less Base Value	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)
Incremental Value	204,516	213,228	222,939	263,773	273,290	280,064	286,974	294,022	301,211	308,543
<b>IV. Gross Tax Revenue</b>	2,045	2,132	2,229	2,638	2,733	2,801	2,870	2,940	3,012	3,085
Unitary Tax Revenue	1	1	1	1	1	1	1	1	1	1
Appeal Tax Refunds	0	0	0	0	0	0	0	0	0	0
H&S 33676 Tax Sharing (Original)	(87)	(88)	(90)	(92)	(94)	(96)	(97)	(99)	(101)	(103)
TI in Excess of Revenue Cap	0	0	0	0	0	0	0	0	0	0
Subtotal	1,959	2,045	2,140	2,547	2,640	2,706	2,773	2,841	2,911	2,983
County Admin Charge	(19)	(20)	(21)	(24)	(25)	(26)	(27)	(27)	(28)	(29)
Total Gross Tax Increment	1,940	2,024	2,119	2,522	2,615	2,680	2,746	2,814	2,883	2,954
<b>V. Net Tax Increment (non-Housing)</b>	1,548	1,615	1,691	2,013	2,087	2,139	2,192	2,246	2,301	2,357
<b>Housing Set Aside</b>	20%	392	409	428	509	528	541	555	568	582
Statutory Pass Through (Amend 2 & 3)	(145)	(150)	(156)	(162)	(168)	(174)	(181)	(188)	(195)	(202)
County Office of Education (Original)	(6)	(6)	(6)	(8)	(9)	(9)	(9)	(9)	(9)	(10)
San Diego Unified (Original)	(71)	(75)	(79)	(100)	(104)	(107)	(109)	(112)	(115)	(118)
San Diego Community College (Original)	(10)	(11)	(11)	(15)	(15)	(16)	(16)	(16)	(17)	(17)
Net Tax Increment After Tax Sharing	1,316	1,374	1,438	1,729	1,791	1,833	1,876	1,920	1,965	2,010

Source: San Diego County Auditor-Controller reported values for FY 2005-06

Prepared by Keyser Marston Associates, Inc.

Filename: TI\_2007-03-08.xls: CI\_Combined: 3/8/2007: GSH

**Table 6.3****Tax Increment Revenue Projection****Central Imperial Redevelopment Project****- Original and Amendments 2 & 3****Southeastern Economic Development Corp.****(000's Omitted)**

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
<b>I. Real Property Value</b>	373,969	381,449	389,078	396,859	404,796	412,892	421,150	429,573	438,165	446,928
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
Prop 13 Inflationary Growth	7,479	7,629	7,782	7,937	8,096	8,258	8,423	8,591	8,763	8,939
New Development Value Addec	0	0	0	0	0	0	0	0	0	0
Total Real Property Value	381,449	389,078	396,859	404,796	412,892	421,150	429,573	438,165	446,928	455,866
<b>II. Personal Property</b>	16,514	16,514	16,514	16,514	16,514	16,514	16,514	16,514	16,514	16,514
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
New Development Value Addec	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value	16,514	16,514	16,514	16,514	16,514	16,514	16,514	16,514	16,514	16,514
<b>III. Total Project Value</b>	397,963	405,592	413,373	421,310	429,406	437,664	446,087	454,679	463,442	472,381
Less Base Value	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)
Incremental Value	316,023	323,652	331,433	339,370	347,466	355,724	364,147	372,739	381,502	390,441
<b>IV. Gross Tax Revenue</b>	3,160	3,237	3,314	3,394	3,475	3,557	3,641	3,727	3,815	3,904
Unitary Tax Revenue	1	1	1	1	1	1	1	1	1	1
Appeal Tax Refunds	0	0	0	0	0	0	0	0	0	0
H&S 33676 Tax Sharing (Original)	(105)	(108)	(110)	(112)	(114)	(116)	(119)	(121)	(124)	(126)
TI in Excess of Revenue Cap	0	0	0	0	0	0	0	0	0	0
Subtotal	3,055	3,130	3,205	3,282	3,361	3,441	3,523	3,607	3,692	3,779
County Admin Charge	(30)	(31)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)
Total Gross Tax Increment	3,026	3,099	3,174	3,250	3,328	3,407	3,488	3,571	3,655	3,741
<b>V. Net Tax Increment (non-Housing)</b>	2,414	2,473	2,533	2,594	2,656	2,719	2,784	2,850	2,917	2,985
<b>Housing Set Aside</b>	20%	611	626	641	656	672	688	705	721	738
Statutory Pass Through (Amend 2 & 3)	(210)	(217)	(225)	(233)	(241)	(249)	(257)	(266)	(275)	(283)
County Office of Education (Original)	(10)	(10)	(10)	(11)	(11)	(11)	(11)	(12)	(12)	(12)
San Diego Unified (Original)	(121)	(124)	(127)	(130)	(133)	(136)	(140)	(143)	(146)	(150)
San Diego Community College (Original)	(18)	(18)	(18)	(19)	(19)	(20)	(20)	(21)	(21)	(22)
Net Tax Increment After Tax Sharing	2,056	2,104	2,152	2,201	2,251	2,303	2,355	2,408	2,463	2,518

Source: San Diego County Auditor-Controller reported values for FY 2005-06

Prepared by Keyser Marston Associates, Inc.

Filename: TI\_2007-03-08.xls: CI\_Combined: 3/8/2007: GSH

**Table 6.3****Tax Increment Revenue Projection****Central Imperial Redevelopment Project****- Original and Amendments 2 & 3****Southeastern Economic Development Corp.****(000's Omitted)**

	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
<b>I. Real Property Value</b>	455,866	464,984	474,283	483,769	493,445	503,313	513,380	523,647	534,120	544,803
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
Prop 13 Inflationary Growth	9,117	9,300	9,486	9,675	9,869	10,066	10,268	10,473	10,682	10,896
New Development Value Addec	0	0	0	0	0	0	0	0	0	0
Total Real Property Value	464,984	474,283	483,769	493,445	503,313	513,380	523,647	534,120	544,803	555,699
<b>II. Personal Property</b>	16,514	16,514	16,514	16,514	16,514	16,514	16,514	16,514	16,514	16,514
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
New Development Value Addec	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value	16,514	16,514	16,514	16,514	16,514	16,514	16,514	16,514	16,514	16,514
<b>III. Total Project Value</b>	481,498	490,798	500,283	509,959	519,827	529,894	540,161	550,634	561,317	572,213
Less Base Value	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)
Incremental Value	399,558	408,858	418,343	428,019	437,887	447,954	458,221	468,694	479,377	490,273
<b>IV. Gross Tax Revenue</b>	3,996	4,089	4,183	4,280	4,379	4,480	4,582	4,687	4,794	4,903
Unitary Tax Revenue	1	1	1	1	1	1	1	1	1	1
Appeal Tax Refunds	0	0	0	0	0	0	0	0	0	0
H&S 33676 Tax Sharing (Original)	(129)	(131)	(134)	(136)	(139)	(142)	(145)	(148)	(151)	(154)
TI in Excess of Revenue Cap	0	0	0	0	0	0	0	0	0	0
Subtotal	3,868	3,958	4,050	4,144	4,240	4,338	4,438	4,540	4,644	4,750
County Admin Charge	(39)	(40)	(41)	(42)	(43)	(45)	(46)	(47)	(48)	(50)
Total Gross Tax Increment	3,829	3,918	4,009	4,102	4,197	4,294	4,392	4,493	4,595	4,700
<b>V. Net Tax Increment (non-Housing)</b>	3,055	3,127	3,199	3,273	3,349	3,426	3,505	3,585	3,667	3,750
<b>Housing Set Aside</b>	20%	774	792	810	829	848	868	888	908	929
Statutory Pass Through (Amend 2 & 3)	(292)	(304)	(315)	(327)	(339)	(352)	(365)	(379)	(393)	(407)
County Office of Education (Original)	(13)	(13)	(13)	(14)	(14)	(14)	(14)	(15)	(15)	(16)
San Diego Unified (Original)	(154)	(157)	(268)	(275)	(281)	(288)	(294)	(301)	(308)	(315)
San Diego Community College (Original)	(22)	(23)	(39)	(40)	(41)	(42)	(42)	(43)	(44)	(46)
Net Tax Increment After Tax Sharing	2,575	2,630	2,564	2,618	2,674	2,731	2,788	2,846	2,906	2,967

Source: San Diego County Auditor-Controller reported values for FY 2005-06

Prepared by Keyser Marston Associates, Inc.

Filename: TI\_2007-03-08.xls: CI\_Combined: 3/8/2007: GSH

**Table 6.3****Tax Increment Revenue Projection****Central Imperial Redevelopment Project****- Original and Amendments 2 & 3****Southeastern Economic Development Corp.****(000's Omitted)**

	2036-37	2037-38	2038-39	2039-40	2040-41	Amend 2 TI Receipts 2041-42	Original	Amend 3		
							TI Receipts 2042-43	2043-44	2044-45	TI Receipts 2045-46
<b>I. Real Property Value</b>	555,699	566,813	578,149	589,712	601,506	613,536	625,807	506,308	40,164	40,967
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
Prop 13 Inflationary Growth	11,114	11,336	11,563	11,794	12,030	12,271	12,516	10,126	803	819
New Development Value Addec	0	0	0	0	0	0	0	0	0	0
Total Real Property Value	566,813	578,149	589,712	601,506	613,536	625,807	638,323	516,434	40,967	41,786
<b>II. Personal Property</b>	16,514	16,514	16,514	16,514	16,514	16,514	16,514	12,167	2,266	2,266
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
New Development Value Addec	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value	16,514	16,514	16,514	16,514	16,514	16,514	16,514	12,167	2,266	2,266
<b>III. Total Project Value</b>	583,327	594,663	606,226	618,020	630,050	642,321	654,837	528,601	43,233	44,052
Less Base Value	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(81,940)	(66,903)	(3,215)	(3,215)
Incremental Value	501,387	512,723	524,286	536,080	548,110	560,381	572,897	461,698	40,018	40,837
<b>IV. Gross Tax Revenue</b>	5,014	5,127	5,243	5,361	5,481	4,416	384	392	400	0
Unitary Tax Revenue	1	1	1	1	1	1	0	0	0	0
Appeal Tax Refunds	0	0	0	0	0	0	0	0	0	0
H&S 33676 Tax Sharing (Original)	(157)	(160)	(163)	(166)	(170)	(173)	0	0	0	0
TI in Excess of Revenue Cap	0	0	0	0	0	0	0	0	0	0
Subtotal	4,858	4,968	5,080	5,195	5,312	4,244	384	392	400	0
County Admin Charge	(51)	(52)	(54)	(55)	(57)	(37)	(10)	(10)	(10)	0
Total Gross Tax Increment	4,807	4,916	5,027	5,140	5,256	4,207	374	382	390	0
<b>V. Net Tax Increment (non-Housing)</b>	3,835	3,922	4,011	4,101	4,193	3,358	297	303	310	0
<b>Housing Set Aside</b>	20%	972	994	1,016	1,039	1,062	849	77	78	80
Statutory Pass Through (Amend 2 & 3)	(421)	(436)	(450)	(466)	(481)	(114)	(117)	(121)	(125)	0
County Office of Education (Original)	(16)	(16)	(17)	(17)	(17)	(18)	0	0	0	0
San Diego Unified (Original)	(323)	(330)	(338)	(345)	(353)	(361)	0	0	0	0
San Diego Community College (Original)	(47)	(48)	(49)	(50)	(51)	(52)	0	0	0	0
Net Tax Increment After Tax Sharing	3,029	3,093	3,157	3,223	3,290	2,813	180	182	185	0

Source: San Diego County Auditor-Controller reported values for FY 2005-06

Prepared by Keyser Marston Associates, Inc.

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**Appendices 1 and 2**

Back Up to Table 6.3  
Tax Increment Revenue Projection

**Central Imperial Original & Amendment No. 2**  
**Central Imperial Amendment No. 3**

**Appendix 1 to Table 6.3**

**Tax Increment Revenue Projection**

**Central Imperial Redevelopment Project**

- Original and Amendment 2 Only

**Southeastern Economic Development Corp.**

(000's Omitted)

	Reported									
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>I. Real Property Value</b>	253,964	253,964	262,290	271,607	311,589	317,821	324,178	330,661	337,274	344,020
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
Prop 13 Inflationary Growth	0	5,079	5,246	5,432	6,232	6,356	6,484	6,613	6,745	6,880
New Development Value Adddec	0	3,247	4,071	34,550	0	0	0	0	0	0
Total Real Property Value	253,964	262,290	271,607	311,589	317,821	324,178	330,661	337,274	344,020	350,900
<b>II. Personal Property</b>	10,923	10,923	10,923	10,923	11,373	14,248	14,248	14,248	14,248	14,248
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
New Development Value Adddec	0	0	0	450	2,875	0	0	0	0	0
Total Personal Property Value	10,923	10,923	10,923	11,373	14,248	14,248	14,248	14,248	14,248	14,248
<b>III. Total Project Value</b>	264,887	273,213	282,531	322,963	332,069	338,426	344,909	351,523	358,268	365,149
Less Base Value	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)
Incremental Value	186,163	194,489	203,806	244,238	253,345	259,701	266,185	272,798	279,543	286,424
<b>IV. Gross Tax Revenue</b>	1,862	1,945	2,038	2,442	2,533	2,597	2,662	2,728	2,795	2,864
Unitary Tax Revenue	1	1	1	1	1	1	1	1	1	1
Appeal Tax Refunds	0	0	0	0	0	0	0	0	0	0
H&S 33676 Tax Sharing (Original)	(87)	(88)	(90)	(92)	(94)	(96)	(97)	(99)	(101)	(103)
TI in Excess of Revenue Cap of	142,000	0	0	0	0	0	0	0	0	0
Subtotal	1,776	1,857	1,949	2,351	2,440	2,502	2,565	2,629	2,695	2,761
County Admin Charge	(15)	(15)	(16)	(19)	(20)	(21)	(21)	(22)	(23)	(23)
Total Gross Tax Increment	1,761	1,842	1,932	2,332	2,420	2,481	2,544	2,607	2,672	2,738
<b>V. Net Tax Increment (non-Housing)</b>	1,406	1,470	1,543	1,862	1,932	1,981	2,031	2,081	2,133	2,186
<b>Housing Set Aside</b>	20%	355	371	390	470	488	500	513	526	539
Statutory Pass Through (Amend 2)	(108)	(113)	(118)	(123)	(128)	(133)	(138)	(143)	(149)	(155)
County Office of Education (Original)	(6)	(6)	(6)	(8)	(9)	(9)	(9)	(9)	(9)	(10)
San Diego Unified (Original)	(71)	(75)	(79)	(100)	(104)	(107)	(109)	(112)	(115)	(118)
San Diego Community College (Original)	(10)	(11)	(11)	(15)	(15)	(16)	(16)	(16)	(17)	(17)
Net Tax Increment After Tax Sharing	1,211	1,266	1,328	1,616	1,677	1,717	1,758	1,800	1,843	1,887

Source: San Diego County Auditor-Controller reported values for FY 2005-06

Prepared by Keyser Marston Associates, Inc.

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**Appendix 1 to Table 6.3**

**Tax Increment Revenue Projection**

**Central Imperial Redevelopment Project**

- Original and Amendment 2 Only

**Southeastern Economic Development Corp.**

(000's Omitted)

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
<b>I. Real Property Value</b>	350,900	357,918	365,077	372,378	379,826	387,422	395,171	403,074	411,136	419,358
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
Prop 13 Inflationary Growth	7,018	7,158	7,302	7,448	7,597	7,748	7,903	8,061	8,223	8,387
New Development Value Adddec	0	0	0	0	0	0	0	0	0	0
Total Real Property Value	357,918	365,077	372,378	379,826	387,422	395,171	403,074	411,136	419,358	427,745
<b>II. Personal Property</b>	14,248	14,248	14,248	14,248	14,248	14,248	14,248	14,248	14,248	14,248
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
New Development Value Adddec	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value	14,248	14,248	14,248	14,248	14,248	14,248	14,248	14,248	14,248	14,248
<b>III. Total Project Value</b>	372,167	379,325	386,626	394,074	401,671	409,419	417,322	425,384	433,607	441,994
Less Base Value	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)
Incremental Value	293,442	300,600	307,902	315,349	322,946	330,694	338,598	346,659	354,882	363,269
<b>IV. Gross Tax Revenue</b>	2,934	3,006	3,079	3,153	3,229	3,307	3,386	3,467	3,549	3,633
Unitary Tax Revenue	1	1	1	1	1	1	1	1	1	1
Appeal Tax Refunds	0	0	0	0	0	0	0	0	0	0
H&S 33676 Tax Sharing (Original)	(105)	(108)	(110)	(112)	(114)	(116)	(119)	(121)	(124)	(126)
TI in Excess of Revenue Cap of	142,000	0	0	0	0	0	0	0	0	0
Subtotal	2,830	2,899	2,970	3,042	3,116	3,191	3,268	3,346	3,426	3,507
County Admin Charge	(24)	(25)	(25)	(26)	(27)	(28)	(28)	(29)	(30)	(31)
Total Gross Tax Increment	2,806	2,874	2,945	3,016	3,089	3,164	3,240	3,317	3,396	3,477
<b>V. Net Tax Increment (non-Housing)</b>	2,240	2,295	2,351	2,408	2,466	2,525	2,586	2,648	2,711	2,775
<b>Housing Set Aside</b>	20%	566	580	594	608	623	638	654	669	685
Statutory Pass Through (Amend 2)	(160)	(166)	(172)	(178)	(184)	(190)	(197)	(203)	(210)	(217)
County Office of Education (Original)	(10)	(10)	(10)	(11)	(11)	(11)	(11)	(12)	(12)	(12)
San Diego Unified (Original)	(121)	(124)	(127)	(130)	(133)	(136)	(140)	(143)	(146)	(150)
San Diego Community College (Original)	(18)	(18)	(18)	(19)	(19)	(20)	(20)	(21)	(21)	(22)
Net Tax Increment After Tax Sharing	1,931	1,977	2,023	2,070	2,118	2,168	2,218	2,269	2,321	2,374

Source: San Diego County Auditor-Controller reported values for FY 2005-06

Prepared by Keyser Marston Associates, Inc.

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**Appendix 1 to Table 6.3**

**Tax Increment Revenue Projection**

**Central Imperial Redevelopment Project**

- Original and Amendment 2 Only

**Southeastern Economic Development Corp.**

(000's Omitted)

	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
<b>I. Real Property Value</b>	427,745	436,300	445,026	453,927	463,005	472,266	481,711	491,345	501,172	511,195
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
Prop 13 Inflationary Growth	8,555	8,726	8,901	9,079	9,260	9,445	9,634	9,827	10,023	10,224
New Development Value Adddec	0	0	0	0	0	0	0	0	0	0
Total Real Property Value	436,300	445,026	453,927	463,005	472,266	481,711	491,345	501,172	511,195	521,419
<b>II. Personal Property</b>	14,248	14,248	14,248	14,248	14,248	14,248	14,248	14,248	14,248	14,248
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
New Development Value Adddec	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value	14,248	14,248	14,248	14,248	14,248	14,248	14,248	14,248	14,248	14,248
<b>III. Total Project Value</b>	450,549	459,275	468,175	477,254	486,514	495,959	505,593	515,420	525,444	535,668
Less Base Value	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)
Incremental Value	371,824	380,550	389,450	398,529	407,789	417,234	426,869	436,695	446,719	456,943
<b>IV. Gross Tax Revenue</b>	3,718	3,805	3,895	3,985	4,078	4,172	4,269	4,367	4,467	4,569
Unitary Tax Revenue	1	1	1	1	1	1	1	1	1	1
Appeal Tax Refunds	0	0	0	0	0	0	0	0	0	0
H&S 33676 Tax Sharing (Original)	(129)	(131)	(134)	(136)	(139)	(142)	(145)	(148)	(151)	(154)
TI in Excess of Revenue Cap of	142,000	0	0	0	0	0	0	0	0	0
Subtotal	3,590	3,675	3,761	3,849	3,939	4,031	4,125	4,220	4,317	4,416
County Admin Charge	(32)	(32)	(33)	(34)	(35)	(37)	(38)	(39)	(40)	(41)
Total Gross Tax Increment	3,559	3,642	3,728	3,815	3,904	3,994	4,087	4,181	4,277	4,375
<b>V. Net Tax Increment (non-Housing)</b>	2,841	2,907	2,976	3,045	3,116	3,188	3,262	3,337	3,414	3,492
<b>Housing Set Aside</b>	20%	718	735	752	770	788	806	825	844	883
Statutory Pass Through (Amend 2)	(224)	(233)	(242)	(252)	(262)	(272)	(282)	(292)	(303)	(314)
County Office of Education (Original)	(13)	(13)	(13)	(14)	(14)	(14)	(14)	(15)	(15)	(16)
San Diego Unified (Original)	(154)	(157)	(268)	(275)	(281)	(288)	(294)	(301)	(308)	(315)
San Diego Community College (Original)	(22)	(23)	(39)	(40)	(41)	(42)	(42)	(43)	(44)	(46)
Net Tax Increment After Tax Sharing	2,428	2,482	2,413	2,465	2,519	2,573	2,629	2,685	2,743	2,802

Source: San Diego County Auditor-Controller reported values for FY 2005-06

Prepared by Keyser Marston Associates, Inc.

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**Appendix 1 to Table 6.3**  
**Tax Increment Revenue Projection**  
**Central Imperial Redevelopment Project**  
**- Original and Amendment 2 Only**  
**Southeastern Economic Development Corp.**  
**(000's Omitted)**

	2036-37	2037-38	2038-39	2039-40	2040-41	Amend 2 TI Receipts 2041-42	Original TI Receipts 2042-43
<b>I. Real Property Value</b>	521,419	531,848	542,485	553,334	564,401	575,689	587,203
Appeal Value Change	0	0	0	0	0	0	0
Prop 13 Inflationary Growth	10,428	10,637	10,850	11,067	11,288	11,514	11,744
New Development Value Adddec	0	0	0	0	0	0	0
Total Real Property Value	531,848	542,485	553,334	564,401	575,689	587,203	598,947
<b>II. Personal Property</b>	14,248	14,248	14,248	14,248	14,248	14,248	14,248
Appeal Value Change	0	0	0	0	0	0	0
New Development Value Adddec	0	0	0	0	0	0	0
Total Personal Property Value	14,248	14,248	14,248	14,248	14,248	14,248	14,248
<b>III. Total Project Value</b>	546,096	556,733	567,583	578,649	589,937	601,451	613,195
Less Base Value	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)	(78,725)
Incremental Value	467,371	478,008	488,858	499,925	511,213	522,726	534,470
<b>IV. Gross Tax Revenue</b>	4,674	4,780	4,889	4,999	5,112	4,040	0
Unitary Tax Revenue	1	1	1	1	1	1	0
Appeal Tax Refunds	0	0	0	0	0	0	0
H&S 33676 Tax Sharing (Original)	(157)	(160)	(163)	(166)	(170)	(173)	0
TI in Excess of Revenue Cap of	142,000	0	0	0	0	0	0
Subtotal	4,518	4,621	4,726	4,834	4,943	3,867	0
County Admin Charge	(42)	(43)	(44)	(46)	(47)	(28)	0
Total Gross Tax Increment	4,476	4,578	4,682	4,788	4,896	3,840	0
<b>V. Net Tax Increment (non-Housing)</b>	3,572	3,653	3,736	3,821	3,908	3,066	0
<b>Housing Set Aside</b>	20%	904	924	945	967	989	773
Statutory Pass Through (Amend 2)	(325)	(336)	(348)	(359)	(371)	0	0
County Office of Education (Original)	(16)	(16)	(17)	(17)	(17)	(18)	0
San Diego Unified (Original)	(323)	(330)	(338)	(345)	(353)	(361)	0
San Diego Community College (Original)	(47)	(48)	(49)	(50)	(51)	(52)	0
Net Tax Increment After Tax Sharing	2,862	2,923	2,986	3,050	3,115	2,635	0

Source: San Diego County Auditor-Controller reported values for FY 2005-06

Prepared by Keyser Marston Associates, Inc.

Filename: TI\_2007-03-08.xls: CI\_Orig&2: 3/8/2007: GSH

**Appendix 2 to Table 6.3**

**Tax Increment Revenue Projection**

**Central Imperial Project - Amendment No. 3**

**Southeastern Economic Development Corp.**

**(000's Omitted)**

**Plan Year**

	6	7	8	9	10	11	12	13	14	15
	Reported 2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>I. Real Property Value</b>	19,303	19,303	19,689	20,083	20,485	20,894	21,312	21,738	22,173	22,617
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
Prop 13 Inflationary Growth	0	386	394	402	410	418	426	435	443	452
New Development Value Addec	0	0	0	0	0	0	0	0	0	0
Total Real Property Value	19,303	19,689	20,083	20,485	20,894	21,312	21,738	22,173	22,617	23,069
<b>II. Personal Property</b>	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
New Development Value Addec	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266
<b>III. Total Project Value</b>	21,569	21,955	22,349	22,750	23,160	23,578	24,004	24,439	24,882	25,335
Less Base Value	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)
Incremental Value	18,354	18,740	19,134	19,535	19,945	20,363	20,789	21,224	21,667	22,120
<b>IV. Gross Tax Revenue</b>	184	187	191	195	199	204	208	212	217	221
Unitary Tax Revenue	0	0	0	0	0	0	0	0	0	0
Appeal Tax Refunds	0	0	0	0	0	0	0	0	0	0
TI in Excess of Revenue Cap of	20,000	0	0	0	0	0	0	0	0	0
Subtotal	184	187	191	195	199	204	208	212	217	221
County Admin Charge at	-2.62%	(5)	(5)	(5)	(5)	(5)	(5)	(6)	(6)	(6)
Total Gross Tax Increment	179	182	186	190	194	198	202	207	211	215
<b>V. Net Tax Increment (non-Housing)</b>	142	145	148	151	154	158	161	164	168	171
<b>Housing Set Aside</b>	20%	37	37	38	39	40	41	42	43	44
Statutory Pass Through	(37)	(37)	(38)	(39)	(40)	(41)	(43)	(45)	(46)	(48)
Net Tax Increment After Tax Sharing	105	108	110	112	114	116	118	120	121	123

Source: San Diego County Auditor-Controller reported values for FY 2005-06

Prepared by Keyser Marston Associates, Inc.

Filename: TI\_2007-03-08.xls: CI\_Amend3: 3/8/2007: NYM

**Appendix 2 to Table 6.3**

**Tax Increment Revenue Projection**

**Central Imperial Project - Amendment No. 3**

**Southeastern Economic Development Corp.**

**(000's Omitted)**

	16	17	18	19	20	21	22	23	24	25
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
<b>I. Real Property Value</b>	23,069	23,530	24,001	24,481	24,971	25,470	25,979	26,499	27,029	27,570
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
Prop 13 Inflationary Growth	461	471	480	490	499	509	520	530	541	551
New Development Value Addec	0	0	0	0	0	0	0	0	0	0
Total Real Property Value	23,530	24,001	24,481	24,971	25,470	25,979	26,499	27,029	27,570	28,121
<b>II. Personal Property</b>	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
New Development Value Addec	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266
<b>III. Total Project Value</b>	25,796	26,267	26,747	27,236	27,736	28,245	28,765	29,295	29,835	30,387
Less Base Value	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)
Incremental Value	22,581	23,052	23,532	24,021	24,521	25,030	25,550	26,080	26,620	27,172
<b>IV. Gross Tax Revenue</b>	226	231	235	240	245	250	255	261	266	272
Unitary Tax Revenue	0	0	0	0	0	0	0	0	0	0
Appeal Tax Refunds	0	0	0	0	0	0	0	0	0	0
TI in Excess of Revenue Cap of	20,000	0	0	0	0	0	0	0	0	0
Subtotal	226	231	235	240	245	250	255	261	266	272
County Admin Charge at	-2.62%	(6)	(6)	(6)	(6)	(7)	(7)	(7)	(7)	(7)
Total Gross Tax Increment	220	224	229	234	239	244	249	254	259	265
<b>V. Net Tax Increment (non-Housing)</b>	175	178	182	186	190	194	198	202	206	210
<b>Housing Set Aside</b>	20%	45	46	47	48	49	50	51	52	54
Statutory Pass Through	(50)	(51)	(53)	(55)	(57)	(59)	(61)	(62)	(64)	(66)
Net Tax Increment After Tax Sharing	125	127	129	131	133	135	137	139	142	144

Source: San Diego County Auditor-Controller reported values for FY 2005-06

Prepared by Keyser Marston Associates, Inc.

Filename: TI\_2007-03-08.xls: CI\_Amend3: 3/8/2007: NYM

**Appendix 2 to Table 6.3**

**Tax Increment Revenue Projection**

**Central Imperial Project - Amendment No. 3**

**Southeastern Economic Development Corp.**

**(000's Omitted)**

	26	27	28	29	30	31	32	33	34	35
	Plan Limit 10-24-2030 2030-31					2031-32    2032-33    2033-34    2034-35    2035-36				
	2026-27	2027-28	2028-29	2029-30						
<b>I. Real Property Value</b>	28,121	28,683	29,257	29,842	30,439	31,048	31,669	32,302	32,948	33,607
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
Prop 13 Inflationary Growth	562	574	585	597	609	621	633	646	659	672
New Development Value Addec	0	0	0	0	0	0	0	0	0	0
Total Real Property Value	28,683	29,257	29,842	30,439	31,048	31,669	32,302	32,948	33,607	34,279
<b>II. Personal Property</b>	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266
Appeal Value Change	0	0	0	0	0	0	0	0	0	0
New Development Value Addec	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266
<b>III. Total Project Value</b>	30,949	31,523	32,108	32,705	33,314	33,935	34,568	35,214	35,873	36,545
Less Base Value	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)
Incremental Value	27,734	28,308	28,893	29,490	30,098	30,719	31,353	31,999	32,658	33,330
<b>IV. Gross Tax Revenue</b>	277	283	289	295	301	307	314	320	327	333
Unitary Tax Revenue	0	0	0	0	0	0	0	0	0	0
Appeal Tax Refunds	0	0	0	0	0	0	0	0	0	0
TI in Excess of Revenue Cap of	20,000	0	0	0	0	0	0	0	0	0
Subtotal	277	283	289	295	301	307	314	320	327	333
County Admin Charge at	-2.62%	(7)	(7)	(8)	(8)	(8)	(8)	(8)	(9)	(9)
Total Gross Tax Increment	270	276	281	287	293	299	305	312	318	325
<b>V. Net Tax Increment (non-Housing)</b>	215	219	224	228	233	238	243	248	253	258
<b>Housing Set Aside</b>	20%	55	57	58	59	61	63	64	65	67
Statutory Pass Through	(69)	(71)	(73)	(75)	(77)	(80)	(83)	(86)	(90)	(93)
Net Tax Increment After Tax Sharing	146	148	151	153	156	157	159	161	163	165

Source: San Diego County Auditor-Controller reported values for FY 2005-06

Prepared by Keyser Marston Associates, Inc.

Filename: TI\_2007-03-08.xls: CI\_Amend3: 3/8/2007: NYM

**Appendix 2 to Table 6.3**

**Tax Increment Revenue Projection**

**Central Imperial Project - Amendment No. 3**

**Southeastern Economic Development Corp.**

(000's Omitted)	36	37	38	39	40	41	42	43	44	45	TI Receipts Limit 10-24-2045 2045-46
	2036-37	2037-38	2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45	2045-46	
<b>I. Real Property Value</b>	34,279	34,965	35,664	36,377	37,105	37,847	38,604	39,376	40,164	40,967	
Appeal Value Change	0	0	0	0	0	0	0	0	0	0	
Prop 13 Inflationary Growth	686	699	713	728	742	757	772	788	803	819	
New Development Value Addec	0	0	0	0	0	0	0	0	0	0	
Total Real Property Value	34,965	35,664	36,377	37,105	37,847	38,604	39,376	40,164	40,967	41,786	
<b>II. Personal Property</b>	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	
Appeal Value Change	0	0	0	0	0	0	0	0	0	0	
New Development Value Addec	0	0	0	0	0	0	0	0	0	0	
Total Personal Property Value	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	2,266	
<b>III. Total Project Value</b>	37,231	37,930	38,643	39,371	40,113	40,870	41,642	42,429	43,233	44,052	
Less Base Value	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	
Incremental Value	34,016	34,715	35,428	36,156	36,898	37,655	38,427	39,214	40,018	40,837	
<b>IV. Gross Tax Revenue</b>	340	347	354	362	369	377	384	392	400	0	
Unitary Tax Revenue	0	0	0	0	0	0	0	0	0	0	
Appeal Tax Refunds	0	0	0	0	0	0	0	0	0	0	
TI in Excess of Revenue Cap of	20,000	0	0	0	0	0	0	0	0	0	
Subtotal	340	347	354	362	369	377	384	392	400	0	
County Admin Charge at	-2.62%	(9)	(9)	(9)	(9)	(10)	(10)	(10)	(10)	0	
Total Gross Tax Increment		331	338	345	352	359	367	374	382	390	0
<b>V. Net Tax Increment (non-Housing)</b>	263	269	274	280	286	291	297	303	310	0	
<b>Housing Set Aside</b>	20%	68	69	71	72	74	75	77	78	80	0
Statutory Pass Through	(96)	(99)	(103)	(106)	(110)	(114)	(117)	(121)	(125)	0	
Net Tax Increment After Tax Sharing		167	169	171	173	176	178	180	182	185	0

Source: San Diego County Auditor-Controller reported values for FY 2005-06

Prepared by Keyser Marston Associates, Inc.

Filename: TI\_2007-03-08.xls: CI\_Amend3: 3/8/2007: NYM

## **APPENDIX B**

### **CERTAIN ECONOMIC AND DEMOGRAPHIC DATA CONCERNING THE CITY OF SAN DIEGO AND THE COUNTY OF SAN DIEGO**

*Set forth below is certain demographic information regarding the City of San Diego (the “City”) and the County of San Diego (the “County”). This information is provided for informational purposes only. The Bonds (as defined in the Official Statement) are not a debt of the City, the County, the State of California (the “State”), or any of its political subdivisions, and neither the City, County, the State nor any of its political subdivisions is liable thereon. The Bonds are not payable from any funds of the City, including amounts in the City’s General Fund, and Tax Revenues (as defined in the Official Statement) are not impacted by the financial condition of the City. See “SECURITY FOR THE BONDS” in the Official Statement.*

#### **Introduction**

The City of San Diego (the “City”), with a total population of approximately 1.3 million in 2007 and a land area of approximately 340 square miles, is the eighth largest city in the nation and the second largest city in California. The City is the county seat for the County of San Diego (the “County”). The City’s population increased by approximately 11.9% between 1998 and 2007, with an average annual increase of approximately 15,549, based on estimates published by the California Department of Finance in May 2007. In addition to having a favorable climate, the City offers a wide range of cultural and recreational services to both residents and visitors. The City has a diversified economy. Major components of this diversified economy include international trade, high-tech manufacturing and research, professional services, tourism and defense. The City has historically benefited from manufacturing (ship building, industrial machinery, television and video equipment, and printing and publishing), public and private higher education, health services, military, and local government employment.

#### **Population**

The following Table 1 sets forth changes in the population of the City, the County and the State for calendar years 1998 through 2007.

**Table 1**  
**Population Growth Estimates**  
**Calendar Years 1997 through 2006**

<b>Calendar Year<sup>(1)(2)</sup></b>	<b>City of San Diego</b>	<b>Annual Growth Rate</b>	<b>County of San Diego</b>	<b>Annual Growth Rate</b>	<b>State of California</b>	<b>Annual Growth Rate</b>
1998	1,176,900	1.5%	2,702,800	1.9%	32,657,000	1.4%
1999	1,200,800	2.0	2,751,000	1.8	33,140,000	1.5
2000	1,223,415	1.9	2,813,833	2.3	33,873,086	2.2
2001	1,241,805	1.5	2,864,408	1.8	34,441,561	1.7
2002	1,256,007	1.1	2,921,273	2.0	35,088,671	1.9
2003	1,278,828	1.8	2,972,832	1.8	35,691,534	1.7
2004	1,287,602	0.7	3,011,526	1.3	36,252,878	1.6
2005	1,297,093	0.7	3,038,579	0.9	36,743,186	1.4
2006	1,305,625	0.7	3,064,113	0.8	37,195,240	1.2
2007	1,316,837	0.9	3,098,269	1.1	37,662,518	1.3

Source: State of California Department of Finance.

<sup>(1)</sup> As of January 1 of the calendar year.

<sup>(2)</sup> Population figures and respective growth rates from 2000 to 2007 reflect revised figures that are benchmarked to base year 2000.

## Employment

The following Table 2 sets forth information regarding the size of the labor force, employment and unemployment rates for the City for calendar years 2002 through 2006.

**Table 2**  
**Labor Force – Estimated Average Annual Employment and**  
**Unemployment of City of San Diego Civilian Labor Force**  
**Calendar Years 2002 through 2006**

	<b>2002</b>	<b>2003<sup>(1)</sup></b>	<b>2004<sup>(1)</sup></b>	<b>2005<sup>(2)</sup></b>	<b>2006<sup>(1)</sup></b>
<b>Civilian Labor Force</b>					
City of San Diego					
Employed	614,200	622,000	634,700	644,000	650,700
Unemployed	33,300	34,100	31,500	29,000	27,000
<b>Unemployment Rates</b>					
City	5.1%	5.2%	4.7%	4.3%	4.0%
County	5.2	5.2	4.7	4.3	4.0
California	6.7	6.8	6.2	5.4	4.9
United States	5.8	6.0	5.5	5.1	4.6

Source: State of California Employment Development Department, Labor Market Information Division; and the U.S. Department of Labor, Bureau of Labor Statistics.

<sup>(1)</sup> The revised labor force data for Calendar Years 2003, 2004 and 2006 are based on a 2006 benchmark.

<sup>(2)</sup> The Calendar Year 2005 labor force data is based on a March 2005 benchmark, and is not comparable to data for Calendar Years 2002–2004 and 2006.

The following Table 3 sets forth estimates of total annual civilian nonagricultural wage and salary employment by number of employees in each major industry category in the County for calendar years 2002 through 2006. Annual employment information is not compiled by sector for the City.

**Table 3**  
**County of San Diego**  
**Wage and Salary Employment**  
**Calendar Years 2002 through 2006<sup>(1)</sup>**

<b><u>Industry Category</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
Natural Resources & Mining	300	300	400	400	500
Construction	76,400	80,200	87,700	90,800	92,600
Manufacturing	112,300	105,300	104,300	104,500	103,600
Nondurable Goods	27,700	26,500	26,200	25,400	25,600
Durable Goods	84,700	78,800	78,100	79,100	78,100
Transportation, Warehousing & Utilities	29,300	27,300	28,400	28,400	28,300
Trade	179,300	182,400	186,800	191,000	192,700
Wholesale	41,300	41,600	41,900	43,600	45,100
Retail	138,000	140,800	144,900	147,400	147,600
Financial Activities <sup>(2)</sup>	75,000	79,900	81,900	83,200	83,700
Services <sup>(3)</sup>	538,000	547,900	556,400	568,200	581,300
Government	219,600	217,300	214,300	215,200	217,700
Federal	40,100	40,100	39,700	39,700	40,300
State and Local	<u>179,500</u>	<u>177,100</u>	<u>174,600</u>	<u>175,500</u>	<u>177,400</u>
TOTAL NONAGRICULTURAL <sup>(4)</sup>	<u>1,230,700</u>	<u>1,240,100</u>	<u>1,260,300</u>	<u>1,282,100</u>	<u>1,299,900</u>

Source: State of California Employment Development Department, Labor Market Information Division.

<sup>(1)</sup> All figures are based on a 2006 benchmark.

<sup>(2)</sup> Includes finance, insurance, and real estate.

<sup>(3)</sup> Includes professional and business, information, educational and health, leisure and hospitality, and other services.

<sup>(4)</sup> Figures may not add to total due to independent rounding.

## Taxable Sales

The following Table 4 sets forth taxable transactions in the City for calendar years 2001 through 2005 (2005 is the latest year for which data is available from the California State Board of Equalization).

**Table 4**  
**City of San Diego**  
**Taxable Transactions**  
**Calendar Years 2001 through 2005**  
**(In Thousands)**

	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>
Retail Stores					
Apparel	\$ 616,146	\$ 681,338	\$ 732,526	\$ 785,563	\$ 865,833
General Merchandise	1,861,711	1,926,369	2,040,450	2,142,892	2,170,831
Food	673,384	690,819	696,398	741,899	801,351
Eating and Drinking	1,851,340	1,931,214	2,066,425	2,197,430	2,311,013
Home Furnishings and Appliances	684,858	664,607	690,345	728,841	747,339
Building Materials and Farm Implements	1,093,716	1,160,915	1,248,903	1,440,726	1,396,894
Auto Dealers and Supplies	1,868,692	2,033,999	2,138,480	2,213,662	2,228,510
Service Stations	966,913	959,059	1,085,386	1,232,354	1,398,512
Other Retail Stores	<u>2,114,389</u>	<u>2,085,876</u>	<u>2,232,817</u>	<u>2,375,353</u>	<u>2,465,882</u>
Total Retail Stores	\$11,731,149	\$12,134,196	\$12,931,730	\$13,858,720	\$14,386,165
All Other Outlets	<u>\$ 4,640,363</u>	<u>\$ 4,491,659</u>	<u>\$ 4,533,632</u>	<u>\$ 4,679,723</u>	<u>\$ 5,105,581</u>
<b>TOTAL ALL OUTLETS</b>	<b><u>\$16,371,512</u></b>	<b><u>\$16,625,855</u></b>	<b><u>\$17,465,362</u></b>	<b><u>\$18,538,443</u></b>	<b><u>\$19,491,746</u></b>

Source: California State Board of Equalization.

## Tourism

The tourism industry is the County's third largest industry in terms of business revenue generation, following manufacturing and the military, according to the San Diego Convention and Visitors Bureau. The following Table 5 sets forth total visitor spending in the County for the calendar years 2002 through 2006.

**Table 5**  
**County of San Diego**  
**Total Visitor Spending<sup>(1)</sup>**  
**Calendar Years 2002 through 2006**  
**(In Billions)**

<b><u>Calendar Year</u></b>	<b><u>Amount</u></b>
2002	\$5.04
2003	5.33
2004	5.52
2005	5.82
2006	6.08

Source: San Diego Convention and Visitors Bureau Visitor Industry Summary.

<sup>(1)</sup> Visitor spending is an estimate of total direct and indirect visitor expenditures as derived from the Visitor Activity Model/Visitor Profile Study prepared by CIC Research, Inc. for the San Diego Convention and Visitors Bureau.

## Military

The following Table 6 sets forth the military and related defense expenditures and personnel in San Diego for the federal Fiscal Years ended September 30, 2001 through September 30, 2005.

**Table 6**  
**City of San Diego<sup>(1)</sup>**  
**Total Defense Expenditure and Personnel**  
**Federal Fiscal Year 2001 through 2005**

	<b>Expenditures (\$000)</b>			<b>Military &amp; Civilian Personnel</b>		
	<b>Payroll</b>	<b>Grants/ Contracts</b>	<b>Total</b>	<b>Active Duty</b>	<b>Civilian</b>	<b>Total</b>
	<b>Outlays<sup>(2)</sup></b>			<b>Military</b>		
2001	\$2,679,753	\$2,269,087	\$4,948,840	21,592	12,134	33,726
2002	2,961,646	3,752,107	6,713,753	22,568	12,351	34,919
2003	3,180,150	4,159,879	7,340,029	22,263	12,055	34,318
2004	3,456,175	3,898,720	7,354,895	17,801	12,934	30,735
2005 <sup>(3)</sup>	3,537,765	4,336,712	7,874,477	45,899	11,758	57,657

Source: Department of Defense, Statistical Information Analysis Division Work Force Publications

<sup>(1)</sup> Does not include Miramar NAS.

<sup>(2)</sup> Military & Civilian.

<sup>(3)</sup> 2005 personnel figures include Navy/MC military personnel afloat. 2001-2004 personnel figures only account for Navy/MC shore-based personnel. Also, 2005 figures on grants and contracts reflect all grants and contracts for the fiscal year while the 2002-2004 figures only reflect contracts with obligations exceeding \$25,000.

## International Trade

The following Table 7 sets forth the valuation of exports originating in the San Diego Customs District for the calendar years 2002 through 2006.

**Table 7**  
**Valuation of Exports**  
**Originating in San Diego Customs District<sup>(1)</sup>**  
**Calendar Years 2002 through 2006**  
**(In Billions)**

<b>Calendar Year</b>	<b>Amount</b>
2002	\$12.9
2003	12.7
2004	14.0
2005	15.0
2006	16.0

Source: RAND California, Business and Economic Statistics and US Census Bureau Foreign Trade Statistics.

<sup>(1)</sup> The San Diego Customs District includes the ports of San Diego, Andrade, Calexico, San Ysidro, Tecate, Otay Mesa Station, and Calexico-East.

## **Major Employers**

The following Table 8 sets forth the major employers in the County of San Diego as of January 1, 2006.

**Table 8**  
**County of San Diego**  
**Major Employers**  
**As of January 1, 2006<sup>(1)</sup>**

<b><u>Employer</u></b>	<b><u>Product/Service</u></b>
<b>10,000 or More Employees:</b>	
Federal Government	Government
State of California	Government
University of California, San Diego	Higher Education
San Diego Unified School District	Education
County of San Diego	Government
Sharp Health Care	Health Care
City of San Diego	Government
Scripps Health	Health Care
<b>5,000 – 9,999 Employees:</b>	
Kaiser Permanente	Health Care
US Postal Service, San Diego District	Shipping, Transportation, & Delivery Service
San Diego Community College District	Higher Education
<b>3,000 – 4,999 Employees:</b>	
Sempra Energy	Utility
Science Applications International Corporation	Research and Development
Grossmont Union High School District	Education
San Diego State University	Higher Education
General Dynamics NASSCO <sup>(2)</sup>	Shipbuilding, Repair
Northrop Grumman	Defense Technology
Barona Valley Ranch Resort & Casino	Casino
Palomar Pomerado Health	Health Care
University of San Diego	Higher Education
Children's Hospital & Health Center	Health Care
Solar Turbines Inc.	Gas Turbine Manufacturing
<b>2,000 – 2,999 Employees:</b>	
Scripps Research Institute	Research
Jack in the Box Inc.	Restaurants
Ace Parking Management, Inc.	Parking Services
Sycuan Resort & Casino	Resort and Casino
Grossmont-Cuyamaca Community College District	Higher Education
Veterans Affairs San Diego Healthcare System	Health care
Tri-City Medical Center	Health Care
Goodrich Aerostructures	Aircraft parts manufacturer
Zoological Society of San Diego	Entertainment

<sup>(1)</sup> The following entities, which were listed as major employers as of January 1, 2005, did not respond to the 2005 year-end survey – Qualcomm Inc., SBC, Navair Depot North Island, Chula Vista Elementary School District, Sony Electronics, Cox Communications, and General Atomics.

<sup>(2)</sup> Formerly known as National Steel and Shipbuilding Co.

Source: San Diego Business Journal – December 26, 2005 – Book of Lists.

## **Building Permits**

The following Table 9 sets forth building permit valuations and the number of new dwelling units authorized in the City for the Fiscal Years Ended June 30, 2002 through June 30, 2006.

**Table 9**  
**City of San Diego**  
**Building Permit Valuations**  
**and Number of New Dwelling Units**  
**Fiscal Years Ended June 30, 2002 through 2006**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Valuation (in thousands)</b>					
Residential	\$1,244,917	\$1,395,286	\$1,227,388	\$1,321,526	\$1,006,378
Nonresidential	<u>854,831</u>	<u>511,743</u>	<u>717,693</u>	<u>641,857</u>	<u>953,714</u>
Total	<u>\$2,099,748</u>	<u>\$1,907,029</u>	<u>\$1,945,081</u>	<u>\$1,963,383</u>	<u>\$1,960,092</u>
<b>Number of New Dwelling Units:</b>					
Single Family	2,353	2,379	1,877	1,271	1,290
Multiple Family	<u>4,150</u>	<u>5,280</u>	<u>4,005</u>	<u>5,334</u>	<u>3,260</u>
Total	<u>6,503</u>	<u>7,659</u>	<u>5,882</u>	<u>6,605</u>	<u>4,550</u>

Source: City of San Diego, Development Services Department.

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## APPENDIX C

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

*The following is a summary of certain provisions of the Indentures and the Loan Agreements and is not a full description or statement thereof. In addition to the provisions summarized below, several provisions of the Indentures and the Loan Agreements are described earlier in this Official Statement. Prospective purchasers of the Bonds are referred to the complete copies of the Indentures and Loan Agreements for a full description of such documents, copies of which are available upon request from the Trustee.*

#### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

##### **Definitions under the Indentures.**

The following terms have the following definitions when used in this discussion of the Indentures. Certain definitions have been added or modified for use in this Official Statement.

“*2007 Series A Bonds*” means the bonds designated as the “Public Facilities Financing Authority of the City of San Diego, California Pooled Financing Bonds, 2007 Series A (Taxable) (Southcrest, Central Imperial and Mount Hope Redevelopment Projects)” authorized under the Indenture in the original aggregate principal amount of \$17,230,000.

“*2007 Series B Bonds*” means the bonds designated as the “Public Facilities Financing Authority of the City of San Diego, California Pooled Financing Bonds, 2007 Series B (Tax Exempt) (Southcrest and Central Imperial Redevelopment Projects)” authorized under the Indenture in the original aggregate principal amount of \$ 17,755,000.

“*Act*” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

“*Agency*” means the Redevelopment Agency of the City of San Diego, California, a public body corporate and politic duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part I of Division 24 of the Health and Safety Code of the State of California) organized under the laws of the State, and any successor thereto.

“*Agreement*” means that certain Joint Exercise of Powers Agreement, dated as of May 14, 1991, as amended and restated on October 29, 2002, by and between the Agency and the City, together with any amendments thereof and supplements thereto.

“*Authority*” means the Public Facilities Financing Authority of the City of San Diego, California, a joint powers authority duly organized and existing under the Agreement and the laws of the State, including the Act.

“*Board*” means the Board of Directors of the Authority.

“*Bond*” or “*Bonds*” or “*Series of Bonds*” means, as applicable, the 2007 Series A Bonds or the 2007 Series B Bonds, authorized by and at any time Outstanding pursuant to the Bond Law and the Indentures.

“*Bond Insurer*” means Radian Asset Assurance Inc., provider of the Financial Guaranty Insurance Policies for the Bonds, and any successor entity thereto.

*“Bond Law”* means Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State.

*“Bond Year”* means each 12-month period extending from October 2 in one calendar year to October 1 of the succeeding calendar year, both dates inclusive; *provided that* the first Bond Year with respect to the Bonds shall commence on the Closing Date and end on October 1, 2007.

*“Business Day”* means any day, other than a Saturday or Sunday or a day on which commercial banks in New York, New York, Los Angeles, California or any other city or cities where the Trust Office of the Trustee is located are required or authorized by law to close or a day on which the Federal Reserve System is closed. If an action is required to be taken on a specific date hereunder and that date is not a Business Day, such action may be taken on the next following Business Day.

*“Certificate of the Authority”* means a certificate in writing signed by the Chairman, Vice Chair, Secretary or Treasurer of the Authority or by any other officer of the Authority or the Agency duly authorized by the Authority for that purpose.

*“City”* means the City of San Diego, duly organized and existing under the laws of the State of California.

*“Closing Date”* means July 12, 2007, which is the date of original issuance of the Bonds.

*“Code”* means the Internal Revenue Code of 1986, as amended. Any reference to a provision of the Code shall include the applicable Regulations with respect to such provision.

*“Constituent Loan Agreements”* means, (1) the Master Trust Agreement (Southcrest Redevelopment Project) dated as of May 1, 1995, as supplemented to and including the Loan Agreement and Third Supplemental Trust Agreement (Southcrest Redevelopment Project), dated as of June 1, 2007, each by and among the Authority, the Trustee and the Agency; (2) the Master Trust Agreement (Central Imperial Redevelopment Project dated as of May 1, 2000, as supplemented to and including the Loan Agreement and Second Supplemental Trust Agreement (Central Imperial Redevelopment Project), dated as of June 1, 2007, each by and among the Authority, the Trustee and the Agency; and (3) the Master Trust Agreement (Mount Hope Redevelopment Project dated as of May 1, 1995), as supplemented to and including the Loan Agreement and Fourth Supplemental Trust Agreement (Mount Hope Redevelopment Project), dated as of June 1, 2007, each by and among the Authority, the Trustee and the Agency

*“Constituent Project Areas”* means, collectively, the project areas described for the Southcrest Redevelopment Project, the Central Imperial Redevelopment Project and Mount Hope Redevelopment Project in the Constituent Loan Agreements.

*“Debt Service”* means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(a) the principal amount of all outstanding Bonds of a Series coming due and payable by their terms in such period;

(b) the minimum principal amount of all Outstanding Term Bonds of a Series scheduled to be redeemed by operation of mandatory sinking fund deposits in such period, together with any premium thereon; and

(c) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if a Series of Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

*“Depository”* means (a) initially, DTC; and (b) any other Securities Depository acting as Depository pursuant to Section 2.19 of the Indenture.

*“Depository System Participant”* means any participant in the Depository’s book-entry system.

*“Designated Officer”* means any one of the following: the Chairman or any member of the Board of Commissioners of the Authority or Chair, Vice Chair or Secretary of the Agency, the Executive Director of the Agency, any Assistant Executive Director of the Agency, the President or Director of Finance of the Southeastern Economic Development Corporation, or any other officer of the Agency or person duly authorized by the Agency for that purpose.

*“DTC”* means The Depository Trust Company, New York, New York, and its successors and assigns.

*“Event of Default”* means any of the events described in the Indentures and the Constituent Loan Agreements.

*“Federal Securities”* means certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

*“Financial Guaranty Insurance Policy”* means the applicable Municipal Bond Insurance Policy or Policies for the Bonds delivered by the Bond Insurer.

*“Fiscal Year”* means any 12-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other 12-month period selected and designated by the Authority as its official fiscal year period.

*“Indenture”* means, as applicable, the Indenture of Trust for the 2007 Series A Bonds dated as of June 1, 2007 by and between the Authority and the Trustee or the Indenture of Trust for the 2007 Series B Bonds dated as of June 1, 2007 by and between the Authority and the Trustee, as originally executed or as they may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof. *“Indentures”* mean both of said documents.

*“Independent Certified Public Accountant”* means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom:

- (a) is in fact independent and not under domination of the Authority, the City or the Agency;
- (b) does not have any substantial interest, direct or indirect, in the Authority, the City or the Agency; and
- (c) is not connected with the Authority, the City or the Agency as an officer or employee of the Authority, the City or the Agency but who may be regularly retained to make annual or other audits of the books of or reports to the Authority, the City or the Agency.

*“Information Services”* means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Service’s “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10006; Moody’s Investors Service, 5250-77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and First Data Services, Inc., 8 Station Square, Rutherford, New Jersey 07070; or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other services providing information with respect to called bonds, or no such services, as the Issuer may designate in a certificate of the Issuer delivered to the Trustee.

*“Interest Account”* means the account by that name established and held by the Trustee pursuant to the Indenture.

*“Interest Payment Date”* means October 1 and April 1 in each year, beginning October 1, 2007, and continuing thereafter so long as any Bonds remain Outstanding.

*“Issuer”* means, as used in the definition of Permitted Investments herein, the Authority or the Agency (acting on behalf of itself or the Authority).

*“Loan Fund”* means the fund by that name established and held by the Trustee pursuant to Section 3.03 of the Indentures.

*“Loan Agreements”* means the Constituent Loan Agreements.

*“Loans”* means the loans made by the Authority to the Agency under and pursuant to the Constituent Loan Agreements.

*“Nominee”* means (a) initially, Cede & Co. as nominee of DTC; and (b) any other nominee of the Depository designated pursuant to Section 2.19 of the Indenture.

*“Nonpurpose Investment”* means any Investment Property which is acquired with the Proceeds and is not acquired in order to carry out the governmental purpose of the Bonds.

*“Outstanding,”* when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.07 of the Indentures) all Bonds theretofore executed, issued and delivered by the Authority under the applicable Indenture except:

- (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03 of the Indentures; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

*“Owner”* or *“Bond Owner,”* when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

*“Participant”* means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as a securities depository.

*“Permitted Investments”* means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (provided that the Trustee shall have no duty to determine the legality of any investments):

- (a) Federal Securities;
- (b) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) the Export-Import Bank of the United States, (b) the Federal Housing Administration, (c) the Government National Mortgage Association (“GNMA”), (d) the Rural Economic Community Development Administration (formerly known as the Farmers Home Administration), (e) the Federal Financing Bank, (f) the Department of Housing and Urban Development, (g) the General

Services Administration, (h) the U.S. Maritime Administration or (i) the Small Business Administration.

- (c) Investments in direct obligations in any of the following agencies which obligations are not fully guaranteed by the full faith and credit of the United States (a) senior obligations by the Federal Home Loan Bank System, (b) senior debt obligations and participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) issued by the Federal Home Loan Mortgage Corporation (“FHLMC”) or senior debt obligations and mortgage- backed securities (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) of the Federal National Mortgage Association (“FNMA”) (c) obligations of the Resolution Funding Corporation (“REFCORP”) or (d) senior debt obligations of the Student Loan Marketing Association (“SLMA”) (excluding securities that do not have a fixed par value/or whose terms do not promise a fixed dollar amount at maturity or call date).
- (d) Investments in (a) U.S. dollar denominated deposit accounts, federal funds, bankers acceptances, and certificates of deposit of any bank which may include the Trustee and its affiliates whose short term debt obligations are rated A-1+ by S&P and P-1 by Moody's and maturing no more than 360 calendar days after the date of purchase (holding company ratings are not considered as rating of the bank) or (b) certificates of deposit of any bank which may include the Trustee and its affiliates, which certificates are fully insured by the Federal Deposit Insurance Corporation (“FDIC”).
- (e) Investments in money market funds rated “AAAm” or “AAAm-G” by S&P including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services.
- (f) Commercial paper which is rated at the time of purchase in the single highest classification, P-1 by Moody's, Inc. and A-1+ by S&P and which matures not more than 270 calendar days after the date of purchase.
- (g) Pre-refunded municipal obligations defined as follows: any bonds or other obligations rated “AAA” by S&P and “Aaa” by Moody’s (based on an irrevocable escrow account or fund) of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice.
- (h) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of “A1/A+” or higher by both Moody’s and S&P.
- (i) The value of the above investments (paragraphs (a)-(h)) shall be determined as follows:

“Value”, which shall be determined as of the end of each quarter, means that the value of any investments shall be calculated as follows:

- (a) for securities:

- (1) computed on the basis of the bid price last quoted by the Federal Reserve Bank of New York on the valuation date and printed in the Wall Street Journal or the New York Times; or

(2) a valuation performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date; or

(3) the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by S&P and Moody's and must be market makers in the securities being valued.

(b) as to certificates of deposit and banker's acceptances: the face amount thereof, plus accrued interest.

(j) Repurchase agreements with (a) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and "A2" by Moody's; or (n) any broker-dealer with "retail customers" or a related affiliate thereof which broker dealer has, or the parent company (which guarantees the provider) of which has, long term debt rated at least "A" by S&P and "A2" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (c) any other entity rated at least "A" by S&P and "A2" by Moody's and acceptable to The Bond Insurer, provided that:

1) the repurchase agreement is collateralized with the obligations described in paragraphs (i) or (ii) above; or with obligations described in paragraph (iii) (a) and (b) above.

2) the trustee will value the collateral securities at least weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within (2) business days.

3) the market value of the collateral must be maintained at: 104% of the total principal of the repurchase agreement for obligations described in paragraphs (i) and (ii); 105% of the total principal of the repurchase agreement for obligations described in paragraph (iii) (a) and (b) above.

4) the trustee or a third party acting solely as agent therefore or for the issuer ("the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books).

5) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, and substituted collateral and all proceeds thereof.

6) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the issuer or the trustee (who shall give such direction if so directed by The Bond Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the issuer or trustee.

(k) Investment agreements with (a) a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long term debt is rated at least "AA" by S&P and "Aa2"

by Moody's; or (B) a monoline municipal bond insurance company or a subsidiary thereof whose claims paying ability is rated at least "AA" by S&P and "Aa2" by Moody's; provided, that in all cases, by the terms of the investment agreement:

1) interest payments are to be made to the Trustee at least one business day prior to debt service payment dates on the Bonds and in such amounts as are necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

2) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the Indenture specifically requires the Issuer or the Trustee to give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

3) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

4) a fixed guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to restore the amount of such funds to the level specified under the Indenture;

5) the term of the investment agreement does not exceed seven years or such longer term as approved by the Bond Insurer. A Bond Insurer approved investment agreement for the Debt Service Reserve Fund may extend until the maturity for the Bonds;

6) the Issuer or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Issuer and the Bond Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Bond Insurer;

7) the Indenture and investment agreement shall provide that if during its term:

(a) the provider's rating by either S&P or Moody's falls below 'AA-' or 'Aa3' respectively, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if, but only if, so directed by the Bond Insurer), within 10 days of receipt of such direction, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Issuer, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") Permitted Collateral which is free and clear of any third-party liens or claims at the Collateral Levels set forth below; or (ii) repay the principal of and accrued but unpaid interest on the investment (the choice of (i) or (ii) above shall be that of the Issuer or Trustee, as appropriate), and

(b) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" or "A3" by S&P or Moody's, as appropriate, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if, but only if, so directed by the Bond Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment in either case with no penalty or premium to the Issuer or Trustee;

8) The investment agreement shall state and an opinion of counsel shall be rendered that the trustee has a perfected first priority security interest in the Permitted Collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the trustee is in possession); and

9) the investment agreement must provide that if during its term

(a) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate;

(b) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate;

(c) the provider fails to perform any of its obligations under the Investment Agreement (other than obligations related to payment or rating) and such breach continues for ten (10) Business Days or more after written notice thereof is given by the Trustee to the provider, it shall be an Event of Default; or

(d) a representation or warranty made by the provider proves to have been incorrect or misleading in any material respect when made, it shall be an Event of Default

Permitted Collateral for Investment Agreements ("Permitted Collateral"):

A. U.S. direct Treasury obligations,

B. Senior debt and/or mortgage backed obligations of GNMA, FNMA or FHLMC and other government sponsored agencies backed by the full faith and credit of the U.S. government and approved by the Bond Insurer.

C. Collateral levels must be 104% of the total principal deposited under the investment agreement for U.S. direct Treasury obligations, GNMA obligations and full faith and credit U.S. government obligations and 105% of the total principal deposited under the investment agreement for FNMA and FHLMC.

D. The collateral must be held by a third party, segregated and marked to market at least weekly.

(l) Forward delivery agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel).

(m) the Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name, provided that such investment is valued not less frequently than each fiscal or calendar quarter.

(n) Other forms of investments approved in writing by the Bond Insurer.

*“Person”* means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

*“Policy” or “Policies”* means the Municipal Bond Insurance Policies for the 2007 Series A Bonds or 2007 Series B Bonds, as applicable.

*“Principal Account”* means the account by that name established and held by the Trustee pursuant to Section 4.02 of the Indenture.

*“Private Business Use”* means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding use by a governmental unit and use by any person as a member of the general public.

*“Proceeds”* means the face amount of the Bonds of a Series plus accrued interest and original issue premium, if any, less original issue discount, if any, and includes any other amounts which will be held under the related Indenture or the Constituent Loan Agreements.

*“Qualified Credit Instrument”* means any of the following provided that they are in form and substance satisfactory to the Bond Insurer:

- (a) surety bond or insurance policy issued to the Trustee by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on a Series of Bonds if the claims paying ability of the issuer thereof shall be rated “AAA” and “Aaa” by Standard and Poor’s Ratings Services and Moody’s Investors Service, respectively;
- (b) a surety bond or insurance policy issued to the Trustee by an entity other than a municipal bond insurer if the claims paying ability of the issuer thereof shall be rated “Aa” and “AA” or better by Moody’s Investors Service and Standard and Poor’s Ratings Services; or
- (c) an unconditional irrevocable letter of credit issued to the Trustee by a bank, if the issuer thereof is rated at least “AA-” by Standard and Poor’s Ratings Services and “Aa3” by Moody’s Investors Service.

*“Record Date”* means, with respect to any Interest Payment Date, the fifteenth calendar day of the month (whether or not such day is a Business Day) immediately preceding such Interest Payment Date.

*“Registration Books”* means the records maintained by the Trustee pursuant to Section 2.15 for the registration and transfer of ownership of the Bonds.

*“Regulations”* means temporary and permanent regulations promulgated under or with respect to Sections 103 and 141 through 150, inclusive, of the Code.

*“Representation Letter”* means the Representation Letter described in the Indentures.

*“Request of the Authority”* means a request in writing signed by a Designated Officer or by any other officer of the Agency duly authorized by the Agency for that purpose.

*“Reserve Account” or “Reserve Accounts”* means the reserve funds established pursuant to each of the Constituent Loan Agreements and held by the Trustee.

*“Responsible Officer”* means any vice president, assistant vice president or trust officer of the Trustee within its Corporate Trust Department who routinely administer its duties under the Indenture.

*“Revenue Fund”* means the fund by that name established pursuant to Section 4.02 of the Indenture.

*“Revenues”* means (a) all amounts payable by the Agency to the Authority pursuant to the Constituent Loan Agreements other than administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee; (b) any proceeds of a Series of Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the applicable Indenture; and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture.

*“Securities Depositories”* means The Depository Trust Company, 55 Water Street, 50<sup>th</sup> Floor, New York, N.Y. 10041-0099 Atn. Call Notification Department, Fax (212) 855-7232, or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

*“State”* means the State of California.

*“Supplemental Indenture”* means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of this Indenture.

*“Trust Office”* means the corporate trust office of the Trustee at 700 South Flower Street, Suite 500, Los Angeles, California 90017, provided that for registration, transfer, exchange, payment and surrender of Bonds means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted or such other office designated by the Trustee.

*“Trustee”* means The Bank of New York Trust Company, N.A., in its capacity as trustee, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in Article VI of the Indentures.

### **Establishment of Funds and Accounts; Flow of Funds**

Loan Fund. The Trustee shall establish and maintain a separate fund under each Indenture to be known as the “Loan Fund” into which shall be deposited the proceeds of sale of the Bonds pursuant to each Indenture. The Trustee shall disburse all amounts in the Loan Fund on the Closing Date pursuant to the provisions of the Constituent Loan Agreements and thereupon shall close the Loan Fund.

Receipt, Deposit and Application of Revenues. All Revenues described in clause (a) of the definition thereof in the Indenture shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Revenue Fund” which the Trustee shall establish, maintain and hold in trust under each Indenture.

No later than five (5) Business Days prior to each Interest Payment Date, the Trustee shall transfer from the Revenue Fund under each Indenture and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Interest Account. No later than five (5) Business Days prior to each Interest Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on the next succeeding Interest Payment Date. All moneys in the Interest

Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on the first day of any Bond Year, to the extent not required to pay any interest then having come due and payable on the Outstanding Bonds, shall be withdrawn therefrom by the Trustee and transferred to the Agency to be used for any lawful purposes of the Agency.

(b) Principal Account. No later than five (5) Business Days prior to each Interest Payment Date on which the principal of the Bonds shall be payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal of the Bonds coming due and payable on such Interest Payment Date pursuant to the Indenture, or the redemption price of the Bonds (consisting of the principal amount thereof and any applicable redemption premiums) required to be redeemed on such Interest Payment Date pursuant to the Indenture. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal at maturity of the Bonds at the respective maturities thereof; (ii) paying the principal of the Term Bonds upon the mandatory sinking fund redemption thereof pursuant to the Indenture; or (iii) paying the principal of and premium, if any, on any Bonds upon the redemption thereof pursuant to the Indenture. All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having come due and payable, shall be withdrawn therefrom and transferred to the Agency to be used for any lawful purposes of the Agency.

(c) Reserve Accounts. If on any date deposits are to be made pursuant to (a) and (b) above, and amounts on deposit in the Revenue Fund shall be insufficient to enable the Trustee to make such deposits, the Trustee shall withdraw the amount of such insufficiency from the applicable Reserve Account established pursuant to the applicable Constituent Loan Agreements and transfer such amount to the Revenue Fund, as described in the applicable Loan Agreement.

Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed in writing by either the Authority or the Agency and filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such direction from the Authority or the Agency, the Trustee shall invest any such moneys in certain Permitted Investments described in clause (e) of the definition thereof. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

Subject to the following sentence, Permitted Investments of moneys in the Reserve Accounts shall have a maturity of no greater than five years. If a Permitted Investment may be liquidated or “put” at a price equal to the yield to maturity of such Permitted Investment with or to the provider thereof or such other entity rated at least “Aa3” by Moody’s Investors Service, “AA-” by Standard and Poor’s and “AA-” by Fitch Ratings at least semiannually in connection with the Interest Payment Dates on the Bonds, then such Permitted Investment may, notwithstanding any other maturity limitation set forth herein or in the definition of Permitted Investments in the Indenture, have a maturity of more than five years. The Authority shall not enter into any such liquidation or “put” agreement if such liquidation or “put” agreement would result in the ratings then in effect on the Bonds being lowered.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder as directed by either the Authority or the Agency. The Trustee may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to the provisions of the Indenture. The Authority acknowledges that regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of security

transactions to be effected by the Trustee hereunder as they occur. The Authority specifically waives the right to receive such notification to the extent permitted by applicable law and agrees that it will instead receive periodic cash transaction statements which include detail for the investment transactions effected by the Trustee hereunder; *provided*, however, that the Authority retains its right to receive brokerage confirmation on any investment transaction requested by the Authority.

**Valuation and Disposition of Investments.** For the purpose of determining the amount in any fund or account, the value of Permitted Investments credited to such fund shall be valued, at least semiannually, at the market value thereof (excluding any accrued interest). In making any valuation of Permitted Investments hereunder, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

### **Certain additional Covenants**

**Punctual Payments.** The Authority shall punctually pay or cause to be paid the principal, interest and premium, if any, to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and the applicable Indenture, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

**Extension of Payment of Bonds.** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchaser of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall be subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

**Against Encumbrances.** The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

**Power to Issue Bonds and Make Pledge and Assignment.** The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Constituent Loan Agreements and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are, and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee, subject to the provisions of the Indenture, shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

**Accounting Records and Financial Statement.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of the Bonds, the Revenues, the Constituent Loan Agreements and all funds and accounts established pursuant to the Indenture and the Loan Agreements. Such books of record and account shall be available for inspection by the Authority and the Agency during regular business hours with reasonable prior notice.

**No Additional Obligations.** The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part. Nothing in

this section shall preclude the Agency from issuing Parity Debt as defined under the Constituent Loan Agreements in accordance with the provisions of the Constituent Loan Agreements.

Constituent Loan Agreements. The Trustee, as assignee of the Authority's rights pursuant to the provisions of each of the Loan Agreements, subject to the provisions of the Indenture, shall promptly use reasonable efforts to collect all amounts due from the Agency pursuant to the applicable Constituent Loan Agreement and, subject to the provisions of the Indenture, shall diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority under the Loan Agreements and for the enforcement of all of the obligations of the Agency under the Indenture.

The Authority, the Trustee and the Agency may at any time amend or modify the Constituent Loan Agreements pursuant to the provisions of the applicable Loan Agreement, (i) but only if the Trustee first obtains the written consent of the Bond Insurer and the Owners of a majority of aggregate principal amount of the Bonds then Outstanding to such amendment or modification; or (ii) without the written consent of any of the Bond Owners but with the prior written consent of the Bond Insurer, if such amendment or modification is for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Agency contained in the Constituent Loan Agreements, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the Agency so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Constituent Loan Agreements, or in any other respect whatsoever as the Agency may deem necessary or desirable; provided, under any circumstances, that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds.

The Authority shall notify the Bond Insurer and each rating agency rating the Bonds at the time of such amendment or modification of such amendment or modification at least 15 days in advance of the effective date of such amendment or modification, by giving written notice with a copy of the proposed amendment or modification included.

No Arbitrage (2007 Series B Bonds). The Authority shall not take, nor permit nor suffer to be taken by the Trustee, the Agency or otherwise, any action with respect to the proceeds of the 2007 Series B Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the 2007 Series B Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Rebate of Excess Investment Earnings to Federal Government (2007 Series B Bonds). The Authority hereby covenants to rebate excess investment earnings to the federal government in accordance with applicable requirements of Section 148(f) of the Code.

Private Business Use Limitation (2007 Series B Bonds). The Authority shall assure that:

(a) not more than 10% of the Proceeds of the 2007 Series B Bonds is used for Private Business Use if, in addition, the payment of the principal of, or the interest on, more than 10% of the Proceeds of the 2007 Series B Bonds is, under the terms of the 2007 Series B Bonds or any underlying arrangement directly or indirectly (i) secured by any interest in property, or payments in respect of property, used or to be used for a Private Business Use; or (ii) to be derived from payments, whether or not to the Authority, in respect of property or borrowed money used or to be used for a Private Business Use; and

(b) in the event that an amount in excess of 5% of the Proceeds of the 2007 Series B Bonds is used for a Private Business Use, and, in addition, the payment of the principal of, or the interest on, more than 5% of the Proceeds of the 2007 Series B Bonds during the term thereof is, under the terms of the 2007 Series B Bonds or any underlying arrangement, directly or indirectly secured by any interest in property, or payments in respect of property, used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Authority, in respect of property or borrowed money used or to be used for a Private Business Use, then, (i) said excess over 5% of the Proceeds of the 2007 Series B Bonds which is used for a Private Business Use shall be used for a Private Business Use related to a government use of such Proceeds; and (ii) each such Private Business Use over 5% of the Proceeds of the Bonds which is related to a government use of such Proceeds shall not exceed the amount of such Proceeds which is used for the government use of Proceeds to which such Private Business Use is related.

Limitation on Use of Proceeds for Loan (2007 Series B Bonds). The Authority shall assure that the Proceeds of the 2007 Series B Bonds are not used, directly or indirectly, to make loans to two or more ultimate borrowers (including governmental units) and in the event that loans are made, directly or indirectly, to a single borrower other than a governmental unit, the Authority shall assure that not in excess of 5% of the Proceeds of the 2007 Series B Bonds is used for such purpose. The provisions of this section do not apply to loans constituting Nonpurpose Investments or to loans which enable the borrower to finance any governmental tax or assessment of general application for specific essential governmental functions.

Federal Guarantee Prohibition (2007 Series B Bonds). The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2007 Series B Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

#### **Modification and Amendment of the Indentures**

Amendment. Each Indenture and the rights and obligations of the Authority and of the owners of the Series of Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any bond owners but with the prior written consent of the Bond Insurer, to the extent permitted by law but only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds;
- (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable; provided that under any circumstances such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Bond Insurer and the Owners of a majority of the aggregate principal amount of the Bonds Outstanding are filed with the Trustee. No such modification or amendment shall (i) extend the maturity of or reduce the interest or compounding rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, and interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond; (ii) reduce the percentage of the aggregate principal amount of the Bonds Outstanding required for the written consent to any such amendment or modification; or (iii) without its written consent thereto, modify any of the rights or obligations of the Trustee.

## **Events of Default and Remedies of Bond Owners**

Events of Default. The following events shall be Events of Default under the Indenture:

- (a) Default by the Authority in the due and punctual payment of the principal amount or redemption premium, if any, of any Bond pursuant to the provisions of the Indenture, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;
- (b) Default by the Authority in the due and punctual payment of any installment of interest on any Bond pursuant to the provisions of the Indenture;
- (c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or the Bond Insurer, or to the Authority and the Trustee by the Owners of not less than 25% of the aggregate principal amount of the Bonds Outstanding with the prior written consent of the Bond Insurer; provided that such default shall not constitute an Event of Default hereunder if, with the prior written consent of the Bond Insurer, the Authority shall commence to cure such default within said 30-day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; and
- (d) the filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Remedies and Rights of Bond Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest and premium, if any, on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture.

If an Event of Default shall have occurred and be continuing, and if the Trustee has been indemnified as provided in the Indenture, the Trustee shall, upon the request of the Owners of at least 25% in aggregate principal amount of the Bonds Outstanding, be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners, ***provided however, if the Bond Insurer is not in default under the applicable Financial Guaranty Insurance Policy, the Bond Insurer, acting alone, shall have the right to control such proceedings.***

No remedy conferred upon or reserved to the Trustee or the Bond Owners by the terms of the Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Bond Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Rights and Remedies of Bond Owners. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event

of Default; (b) the Owners of a majority of the aggregate principal amount of the Bonds Outstanding shall have made a written request upon the Trustee to exercise the powers granted herein or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 30 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee,

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatsoever, by his or their action, to enforce any right under the Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, held and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium, if any, on such Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of the Indenture or any other provision of the Indenture.

If the Bond Insurer is not in default under the Financial Guaranty Insurance Policy, notwithstanding any other provision of the Indenture, the Bond Insurer, acting alone, shall have the right to direct all remedies in the event of default under the Indenture. For this purpose, the Bond Insurer shall be deemed to be the Owner of all of the Bonds and shall have the right to institute any suit, action, or proceeding at law or in equity under the same terms given to Bond Owners under the Indenture.

Application of Revenues and Other Fund After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture shall be applied by the Trustee in the following order, upon presentation of the several Bonds and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel incurred in and about the performance of its powers and duties under this Indenture; and

Second, to the payment of the whole amount of principal of and interest on, the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the rate of interest then borne by the Outstanding Bonds; *provided*, however, that in the event such amounts shall be insufficient to pay in full the amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full;

(b) to the payment of principal of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full; and

(c) to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority of the aggregate principal amount of the Bonds Outstanding, it shall have full power (subject to the right of the Bond Insurer to control such proceedings), in the exercise of its discretion for the best interest of the Owners of the Bonds with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority of the aggregate principal amount of the Bonds Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court malting such appointment shall confer.

Non-Waiver. Nothing in the Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

## **Discharge of Indenture**

If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest and premium, if any, on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and the Constituent Loan Agreements, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(c) by complying with the requirements set forth in the Indenture and by irrevocably depositing with the Trustee or any other fiduciary, in trust in an escrow, noncallable Federal Securities, including, without limitation, State and Local Government Series issued by the United States Treasury (“SLGS”), United States Treasury bills, notes and bonds, as traded on the open market; and/or Zero Coupon Treasury Bonds (“STRIPS”), in such amount as an Independent Certified Public Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and the Constituent Loan Agreements, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and any redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice and the provisions of the following paragraph have been complied with, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid and all expenses and costs of the Trustee. Any funds thereafter held by the Trustee which are not required for said purposes, shall be paid over to the Authority.

Prior to any such discharge of the Bonds, the Bond Insurer shall be provided (i) fifteen business days notice of any advanced refunding of the Bonds, (ii) a report of an Independent Certified Public Accountant acceptable to the Bond Insurer with respect to the sufficiency of the amounts deposited to defease the Bonds and discharge the Indenture and (iii) an opinion of counsel acceptable to the Bond Insurer that such Bonds have been legally discharged and that any escrow agreement establishing such defeasance or discharge operates legally to discharge the Bonds under the Indenture.

The Bonds may be defeased only with noncallable Federal Securities purchased with Available Monies. Available Monies shall mean any monies on deposit with a trustee for the benefit of bondholders which are (i) bond proceeds or refunding bond proceeds, (ii) amounts on deposit for a period of 124 consecutive days during which no petition in bankruptcy under the U.S. Bankruptcy Code has been filed by or against the entity; which paid such money, and no similar proceedings have been instituted under state insolvency or other laws affecting creditors' rights generally, or (iii) any monies with respect to which an unqualified opinion from nationally recognized counsel has been received stating that such payments to bondholders would not constitute voidable preferences under Section 547 of the U.S. Bankruptcy Code, or similar state or federal laws with voidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code, or similar state or federal laws with voidable preference provisions by or against the entity from whom the money is received. No forward delivery agreements, hedge, investment agreement, purchase and resale agreements or par-put agreements may be used with respect to the investment of any funds or securities defeasing the Bonds without the prior written consent of the Bond Insurer.

Additionally, the Authority and the Agency shall have the right to discharge any Outstanding Bond by purchasing such Bond at public or private sale as and when, and at such prices (including brokerage commissions) not in excess of the par amount thereof plus accrued interest thereon to the date of such purchase, as the Authority or the Agency, as the case may be, in its sole discretion determine, and by tendering such Bond to the Trustee for cancellation. Further, in lieu of depositing any or all of the cash with the Trustee

in connection with any sinking fund redemption pursuant to the Indenture , the Authority or the Agency shall have the right to tender to the Trustee for cancellation, no later than 15 days prior to the date set forth for the mailing of notice of redemption, a portion of the applicable Term Bonds in an amount less than or equal to the amount of such sinking fund redemption.

**Unclaimed Moneys.**

Anything in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds (including without limitation moneys held for the payment of the principal of and interest on any of the Bonds) which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall be repaid by the Trustee to the Agency, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee shall, at the expense of the Agency, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Agency.

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## SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS

*The following is a summary of certain provisions contained in the "Trust Agreements" and is not a full description or statement thereof. The Trust Agreements summarized herein are the Loan Agreements defined elsewhere in this Official Statement. In addition to the provisions summarized below, certain provisions of the Trust Agreements are described earlier in this Official Statement. Note that for purposes of this Summary, each of the "Loans" described elsewhere in this Official Statement are "Bonds" or a "Series of Bonds" under the Trust Agreements. Reference should be made to complete copies of the Trust Agreements for a full description of such documents.*

### Definitions under the Trust Agreements.

The following terms have the following definitions when used in this discussion of the Trust Agreements. Certain definitions listed below have been modified or added for use in this Official Statement.

"Accreted Value" shall mean, with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the initial amount of such Bonds and the interest accrued and compounded thereon, as determined in accordance with the provisions of the Supplemental Trust Agreement authorizing issuance of such Bonds, to such date of calculation.

"Agency" shall mean the Redevelopment Agency of the City of San Diego, California.

"Agreement" or "Trust Agreement" shall mean, as applicable, (1) the Master Trust Agreement (Southcrest Redevelopment Project) dated as of May 1, 1995, as supplemented to and including the Loan Agreement and Third Supplemental Trust Agreement (Southcrest Redevelopment Project), dated as of June 1, 2007, each by and among the Authority, the Trustee and the Agency; (2) the Master Trust Agreement (Central Imperial Redevelopment Project dated as of June 1, 2000), as supplemented to and including the Loan Agreement and Second Supplemental Trust Agreement (Central Imperial Redevelopment Project), dated as of June 1, 2007, each by and among the Authority, the Trustee and the Agency; or (3) the Master Trust Agreement (Mount Hope Redevelopment Project dated as of May 1, 1995), as supplemented to and including the Loan Agreement and Fourth Supplemental Trust Agreement (Mount Hope Redevelopment Project), dated as of June 1, 2007, each by and among the Authority, the Trustee and the Agency, together with all amendments and supplements hereto.

"Annual Debt Service" for any Series of Bonds means, for each Bond Year, the sum of (1) the interest falling due on such Outstanding Bonds in such Bond Year, assuming that such Outstanding Bonds are retired as scheduled and that any mandatory sinking fund account payments are made as scheduled, and (2) the principal amount and Final Compounded Amount of such Outstanding Bonds falling due by their terms in such Bond Year including any principal and Accreted Value required to be prepaid by operation of mandatory sinking fund payments, together with the redemption premiums, if any, thereon.

"Authorized Agency Representative" shall mean the Chairperson, the Executive Director, Assistant Executive Director or a Deputy Executive Director of the Agency and any other persons who have been so designated in writing by the Chair or the Executive Director or by resolution of the Agency.

"Authorized Denominations" shall mean \$5,000 or any integral multiple of the Trust Agreement or such other amounts as may be specified for a Series of Bonds in a Supplemental Trust Agreement.

"Book-Entry Bonds" shall mean Bonds of any Series registered in the name of the Nominee of a Depository as the Owner of the Bonds pursuant to the terms and provisions of Section 2.12 of the Trust Agreement.

"Bond" or "Bonds" shall mean indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations issued under the provisions of Article II of the Trust Agreement (including the Loans described elsewhere in this Official Statement). "Bond" or "Bonds" includes Housing Parity Bonds and Project Parity Bonds but shall not include any subordinated obligations incurred by the Agency as permitted under the Trust Agreement or indebtedness payable from sources other than Pledged Tax Revenues.

"Bond Counsel" shall mean an attorney or a firm of attorneys nationally recognized as expert in the area of municipal finance, familiar with the transactions contemplated under the Agreement and acceptable to the Agency.

"Bondholder," "Holder" or "Owner" shall mean the person in whose name any Bond or Bonds are registered on the books maintained by the Registrar.

"Bond Year" means the twelve month period extending from October 2 in one calendar year to October 1 of the succeeding calendar year, both dates inclusive.

"Business Day" means any day other than a Saturday, a Sunday, or a day on which banks in the State of California or the city in which the principal corporate trust office of the Trustee is located are authorized or obligated by law or executive order to close.

"Capital Appreciation Bonds" shall mean any Bonds so described in the Supplemental Trust Agreement authorizing the issuance of such Bonds, wherein the interest on such Bonds is not payable on a current basis but is included in the Accreted Value of such Bonds.

"Capitalized Interest" shall mean the amount of interest, if any, derived from the proceeds of the Bonds, which is used to pay interest on the Bonds.

"Certificate of the Agency" means a certificate in writing signed by one or more Authorized Agency Representatives.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations proposed or in effect with respect thereto.

"Cost of Issuance" means all costs and expenses incurred by the Agency in connection with the issuance, from time to time, of Series of Bonds, including, but not limited to, costs and expenses of printing and copying documents and Bonds and providing notices of sale and the fees, costs and expenses of rating agencies, the Trustee, Trustee's counsel, bond counsel, disclosure counsel, accountants, financial advisors and other consultants.

"County" means the County of San Diego, a county duly organized and existing under the Constitution and laws of the State.

"Default" or "Event of Default" shall mean any occurrence or event specified in Section 8.01 of the Trust Agreement.

"Depository" shall have the meaning given such term in Section 2.12 of the Trust Agreement.

"Educational Revenue Augmentation Fund" means the fund by that name described in the Governor's May Revision to the State's Proposed 2002-03 Budget finally enacted into law (or a substantially similar such fund enacted by the State Legislature).

"Final Compounded Amount" shall mean the Accreted Value of a Capital Appreciation Bond at maturity.

"Fiscal Year" shall mean the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the Agency designates in writing to the Trustee and any Insurer as its fiscal year.

"Government Obligations" shall mean (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, (ii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (i), and (iii) direct obligations of agencies of the United States of America which obligations are rated "Aaa" by Moody's and "AAA" by S&P.

"Housing Debt Service Fund" shall mean the fund created by Section 4.04 of the Trust Agreement.

"Housing Interest Account" shall mean the trust account by that name established within the Housing Debt Service Fund pursuant to Section 4.04 of the Trust Agreement.

"Housing Parity Bonds" shall mean tax allocation bonds, loans and any other indebtedness payable from the Housing Tax Revenues pursuant to the terms of Sections 2.09 and 2.11 of the Agreement.

"Housing Principal Account" shall mean the trust account of that name established within the Housing Debt Service Fund pursuant to Section 4.04 of the Trust Agreement.

"Housing Reserve Fund" shall mean the trust account of that name created pursuant to Section 4.04 of the Trust Agreement.

"Housing Reserve Requirement" shall mean the Reserve Requirement for Housing Parity Bonds.

"Housing Revenue Fund" shall mean the trust account by that name established pursuant to Section 4.03 of the Trust Agreement.

"Housing Tax Revenues" means the twenty percent (20%) of Tax Revenues which are currently required to be deposited in the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3, 33334.6 and/or 33487 of the Law.

"Housing Trust Fund" shall mean the fund or funds created pursuant to Section 4.02 of the Trust Agreement for the purpose of holding proceeds of Bonds payable from Housing Tax Revenues.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the Agency, and who, or each of whom: (a) is in fact independent and not under the domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency, other than as a purchaser of Bonds; (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency; and is acceptable to the Insurer.

"Independent Redevelopment Consultant" or "Redevelopment Consultant" means any consultant or firm of such consultants appointed by the Agency, and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the levy and collection of tax increment revenues or otherwise with respect to the financing of redevelopment projects; (b) is in fact independent and not under the control of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency, other than as a purchaser of Bonds; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Initial Bonds" shall mean the first series of Bonds issued under a Trust Agreement.

"Insurer" shall mean any municipal bond insurance company, bank or other financial institution or organization providing a Municipal Bond Insurance Policy for any one or more Series of Bonds.

"Interest Payment Date" shall mean April 1 and October 1 of each year or such other date or dates specified in any Supplemental Trust Agreement on which the interest on or principal of the Bonds is required to be paid.

"Law" or "Redevelopment Law" means the Community Redevelopment Law of the State of California as cited in the recitals of the Trust Agreement.

"Letter of Representations" shall mean the letter of the Agency and the Trustee delivered to and accepted by the Depository on or prior to the date of issuance of a Series of Book-Entry Bonds setting forth the basis on which the Depository serves as depository for such Book-Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute depository.

"Mail" shall mean transmittal by first-class United States mail, postage prepaid.

"Maximum Annual Debt Service" shall mean, at any point in time, with respect to all or a portion of the Bonds then Outstanding, the maximum amount of Annual Debt Service becoming due in the then current or any future Bond Year for such Bonds, calculated by the Agency or by a Redevelopment Consultant as provided in the definition. For purposes of calculating Maximum Annual Debt Service, as used in determining the Reserve Fund Requirement and as used in Section 2.11 of the Trust Agreement, the following assumptions shall be used to calculate the principal, Accreted Value and interest becoming due in any Bond Year:

(i) in determining the principal amount due in each year, payment shall be assumed to be made in accordance with any amortization schedule established for such debt, including any scheduled redemption of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment shall be deemed a principal payment;

(ii) if moneys or non-callable Government Obligations have been irrevocably deposited with and are held by the Trustee or another fiduciary to be used to pay principal, Accreted Value, premium, if any, and/or interest on specified Bonds in an amount determined by the Agency or an Independent Accountant to be sufficient for said purpose(s), then the principal, Accreted Value, premium, if any, and/or interest to be paid from such moneys, non-callable Government Obligations or from the earnings thereon shall be disregarded and not included in calculating Maximum Annual Debt Service.

For purposes of calculating Maximum Annual Debt Service, there shall be excluded the principal and Accreted Value of and interest on any Bonds to the extent the proceeds of the Bonds are then deposited in an escrow fund from which amounts may not be released to the Agency unless the amount of Project Tax Revenues and/or Housing Tax Revenues, as applicable (determined in accordance with the provisions of Section 2.11 of the Trust Agreement), for the most recent Fiscal Year (as evidenced in a written certificate of an Independent Redevelopment Consultant furnished to the Trustee) at least equals one hundred fifty percent (150%) [one hundred twenty five percent (125%) for Southcrest] of the amount of Maximum Annual Debt Service for the Bonds which would result if the amount on deposit in such escrow fund were to be released to the Agency from such escrow fund in accordance with the terms of the related Supplemental Trust Agreement; however, for the purposes of calculating Maximum Annual Debt Service, Annual Debt Service on such Bonds shall be determined as if the amounts then on deposit in the escrow fund were withdrawn therefrom and applied to pay or redeem such Bonds in accordance with the terms of the related Supplemental Trust

Agreement (provided that the amounts then on deposit in the escrow fund shall have been certified by an Independent Accountant to be sufficient for such purposes).

"Moody's" shall mean Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized rating agency designated by the Agency.

"Municipal Bond Insurance Policy" means a policy of bond insurance guaranteeing the timely payment of principal, Final Compounded Amount and interest on a Series of Bonds whether in the form of an insurance policy, surety bond, letter of credit, line of credit or other form of financial guaranty instrument; provided, however that a Municipal Bond Insurance Policy does not include a Reserve Fund Insurance Policy.

"Nominee" shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.12 of the Trust Agreement.

"Nonarbitrage and Tax Certificate" means the certificate by that name executed and delivered by the Agency in connection with a tax exempt Series of Bonds.

"Opinion of Counsel" means a written opinion of counsel who is acceptable to the Agency. The counsel may be an employee of or counsel to the Agency or the Trustee.

"Outstanding" or "Bonds Outstanding" or "Outstanding Bonds" shall mean all Bonds which have been authenticated and delivered under the Agreement, except:

- (a) Bonds canceled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;
- (b) Bonds deemed to be paid in accordance with Article VII of the Trust Agreements;
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.05 of the Trust Agreement;
- (d) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys (other than proceeds of a Municipal Bond Insurance Policy or a Reserve Fund Insurance Policy), including interest accrued to the due date, are held by the Trustee or a Paying Agency;
- (e) Bonds which, under the terms of the Supplemental Trust Agreement pursuant to which they were issued, are deemed to be no longer Outstanding; and
- (f) for purposes of any consent or other action to be taken by the Holders of a specified percentage of Bonds under the Agreement, Bonds held by or for the account of the Agency or by any person controlling, controlled by or under common control with the Agency, unless such Bonds are pledged to secure a debt to an unrelated party, in which case such Bonds shall, for purposes of consents and other Bondholder actions, be deemed to be Outstanding and owned by the party to which such Bonds are pledged.

"Parity Bonds" shall mean, as applicable, the Project Parity Bonds and/or the Housing Parity Bonds.

"Participants" shall mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Bonds as securities depository.

"Paying Agency" or "Paying Agents" shall mean, with respect to the Bonds or any Series of Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Trust Agreement or a resolution of the Agency to perform the functions of the Paying Agent as set forth in Section 9.11 of the Trust Agreement.

"Plan Limit" means the limitation contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Sections 33333.2 and 33333.4 of the Redevelopment Law.

"Pledged Tax Revenues" with respect to the Bonds means, for each Bond Year, (i) the first Project Tax Revenues from the applicable Redevelopment Project Area in an amount that is equal to eighty percent (80%) of Annual Debt Service for the applicable Series of Bonds and any applicable Project Parity Bonds for such Bond Year, plus an amount, if any, equal to the amount required to maintain the applicable Project Reserve Fund at the applicable Reserve Requirement (including any sums required to be repaid for amounts drawn under any Reserve Fund Surety Bond for such Bonds) and (ii) the first Housing Tax Revenues from the applicable Redevelopment Project Area in an amount equal to twenty percent (20%) of Annual Debt Service for the applicable Series of Bonds and any Housing Parity Bonds for such Bond Year, plus an amount, if any, equal to the amount required to maintain the applicable Housing Reserve Fund at the applicable Reserve Requirement (including any sums required to be repaid for amounts drawn under any Reserve Fund Surety Bond for such Bonds); provided, however, that in each Bond Year, Pledged Tax Revenues shall also include such amount of Project Tax Revenues and/or Housing Tax Revenues, if any, which is necessary to pay all prior Annual Debt Service which has accrued but remains unpaid and unprovided for.

"Principal Office of the Registrar" shall mean the office of the Registrar as designated by notice given by the Registrar to the Agency, Trustee and Bondholders.

"Project Debt Service Fund" shall mean the fund created by Section 4.04 of the Trust Agreement.

"Project Interest Account" shall mean the trust account by that name established within the Project Debt Service Fund pursuant to Section 4.04 of the Trust Agreement.

"Project Parity Bonds" shall mean tax allocation bonds, loans and any other indebtedness payable from Project Tax Revenues pursuant to the terms of Sections 2.09 and 2.11 of the Trust Agreement.

"Project Principal Account" shall mean the trust account of that name established within the Project Debt Service Fund pursuant to Section 4.04 of the Trust Agreement.

"Project Reserve Fund" shall mean the trust account of that name established pursuant to Section 4.04 of the Trust Agreement.

"Project Reserve Requirement" shall mean the Reserve Requirement for Bonds payable from the Project Tax Revenues.

"Project Revenue Fund" shall mean the trust account by that name established pursuant to Section 4.03 of the Trust Agreement.

"Project Tax Revenues" means the eighty percent (80%) of Tax Revenues other than Housing Tax Revenues.

"Rating Agency" or "Rating Agencies" shall mean Moody's and/or S&P.

"Record Date" shall mean, with respect to any Series of Bonds, the record date as specified in the Supplemental Trust Agreement which provides for the issuance of such Series.

"Redevelopment Fund" means the fund created for the purpose of financing a portion of the cost of the Redevelopment Project which fund is created by the Trust Agreement.

"Redevelopment Law" means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the California Health and Safety Code, and the acts amendatory of the Trust Agreement and supplement thereto.

"Redevelopment Plan" means the redevelopment plan approved and adopted by the City Council of the City of San Diego, California by described in the applicable Trust Agreement, and includes any amendment of said plan heretofore or hereafter made pursuant to the Redevelopment Law.

"Redevelopment Project" means the project of carrying out, pursuant to the Law, the Redevelopment Plan or any other redevelopment purpose.

"Redevelopment Project Area" or "Project Area", means the project area described and defined, as applicable, in a Redevelopment Plan".

"Registrar" shall mean, with respect to the Bonds or any Series of Bonds, the bank, trust company or other entity designated in a Supplemental Trust Agreement or a resolution of the Agency to perform the function of Registrar under the Agreement or any Supplemental Trust Agreement and which bank, trust company or other entity has accepted the position in accordance with Section 9.12 of the Trust Agreement.

"Reserve Fund Insurance Policy" shall mean an insurance policy provided by a bond insurer, a letter of credit, surety bond or other credit instrument, deposited in the Reserve Fund in lieu of or partial substitution for cash or securities on deposit therein, provided, however, that the obligations of the entity providing such Reserve Fund Insurance Policy shall be continuously rated in one of the two highest classifications by Moody's and S&P, the Reserve Fund Insurance Policy shall be acceptable to the Insurer of any of the Bonds, and S&P shall be notified of the deposit of such Reserve Fund Insurance Policy.

"Reserve Fund Requirement" shall for each Series of Bonds initially shall mean the lesser of Maximum Annual Debt Service on the Outstanding Bonds, 125% of average Annual Debt Service on the Outstanding Bonds or the amount equal to 10% of the proceeds of such Series of Bonds; and thereafter shall mean the lesser of the initial amounts deposited for all Outstanding Bonds or Maximum Annual Debt Service on the Outstanding Bonds. The Reserve Fund Requirement shall be calculated by the Agency and is subject to the limitation that the deposit into a Reserve Fund of the proceeds of a tax exempt Series of Bonds to meet the Reserve Fund Requirement shall never exceed an amount which would, in the opinion of Bond Counsel, be determined to be a reasonably required reserve fund within the meaning of the Code and the rulings issued by the United States Department of the Treasury. For purposes of determining if the amount on deposit in the Reserve Fund meets the Reserve Fund Requirement, any Reserve Fund Insurance Policy deposited with the Trustee shall be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided.

"Responsible Officer" shall mean an officer or assistant officer of the Trustee assigned by the Trustee to administer the Agreement.

"S&P" shall mean Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency.

"Series" shall mean Bonds issued at the same time or sharing some other common term or characteristic and designated by the Agency as a separate series in a Supplemental Trust Agreement.

"State" shall mean the State of California.

"Supplemental Trust Agreement" shall mean any supplemental trust agreement then in full force and effect which has been duly approved by resolution of the Agency and signed by the Agency and the Trustee and providing for the issuance of a Series or multiple Series of Bonds, amending and/or supplementing the Agreement or amending and/or supplementing another Supplemental Trust Agreement.

"Tax Increment Limitation" means the limitation contained in the Redevelopment Plan setting the maximum amount of Tax Revenues which may be paid to the Agency for the Redevelopment Project, as said limitation may be amended from time to time pursuant to Sections 33333.2 and 33333.4 of the Redevelopment Law.

"Tax Revenues" means that portion of taxes levied (including all payments, reimbursements and subventions paid by the State, if any, specifically attributable to ad valorem taxes lost by reason of business inventory tax or other exemptions and tax rate limitations) upon taxable property in the Redevelopment Project Area which is allocated to and paid into a special fund of the Agency pursuant to Article 6 of Chapter 6 of the Law, Section 16 of Article XVI of the Constitution of the State of California and the Redevelopment Plan, subject to the Tax Increment Limitation but excluding payments, if any, made to the County of San Diego as an administrative fee pursuant to SB 2557 and excluding moneys reserved to taxing entities under Health and Safety Code Sections 33676, 33607.5 and 33607.7 (or under other provisions of Redevelopment Law) to the extent that such payments are **not** lawfully subordinate to the payment of Annual Debt Service on the Bonds.

"Total Maturity Amount" shall mean with respect to any Outstanding Bond other than Capital Appreciation Bond, the aggregate principal amount thereof and, with respect to any Outstanding Capital Appreciation Bond, the Final Compounded Amount thereof.

"Treasurer" means the person who is then performing the functions of Treasurer of the Agency.

"Trustee" shall mean the entity identified as such in the first paragraph heading of the Agreement until a successor replaces it, and thereafter means such successor.

## **Issuance of Bonds**

General. The Bonds shall be issued in the principal amounts, shall bear interest at a rate or rates not exceeding the maximum rate then permitted by law, shall mature and shall be subject to redemption prior to their respective maturities, all as shall be set forth in a Supplemental Trust Agreement. The Bonds of any Series may be issued as current interest bonds or as Capital Appreciation Bonds or as a combination thereof. The Bonds shall be paid in lawful money of the United States of America, and the payment of principal of, Accreted Value, premium, if any, and interest on the Bonds shall be made as provided in the Supplemental Trust Agreement providing for the issuance of such Bonds or as provided in the Bonds. The Bonds will be executed on behalf of the Agency with the manual or facsimile signature of one or more Authorized Agency Representatives. A Bond will not be valid until the Trustee or its agent manually signs the certificate of authentication on the Bond.

Issuance of Series of Bonds; Supplemental Trust Agreement; Application of Bond Proceeds. The Bonds shall be issued, at one time or in Series from time to time, subject to the conditions of Section 2.09 of the Trust Agreement.

Each Series of Bonds shall be dated, shall mature, shall bear interest, shall be subject to redemption and shall be amortized, all as provided in the Supplemental Trust Agreement under which such Bonds are issued. In addition, each such Supplemental Trust Agreement may provide for the appointment of a Registrar or Registrars and a Paying Agent or Paying Agents in addition to or in place of the Trustee.

Such Supplemental Trust Agreement may provide that the interest rate on the Bonds and the duration of the periods during which such interest accrues may from time to time be adjusted (provided that the Bond interest rate shall never exceed the maximum interest rate permitted by law) and that the Bonds may be purchased upon the demand of the owners of the Trust Agreement or shall be subject to mandatory purchase upon the occurrence of certain events or certain times, and such provisions may include, without limitation, the creation of objective standards for such adjustments, the appointment of agents to apply such standards to the Bonds, the criteria for such purchases upon demand and the procurement of liquidity and credit support facilities with respect to the Bonds.

Each of the Bonds, upon execution by the Agency, shall be deposited with the Trustee or the Trustee's agent for authentication and delivery, but prior to or simultaneously with the delivery of such Bonds, there shall be filed with the Trustee the following:

- (a) an original executed counterpart or a copy, certified by an Authorized Agency Representative, of the Agreement, together with all prior Supplemental Trust Agreements;
- (b) an original executed counterpart or a copy, certified by an Authorized Agency Representative, of the Supplemental Trust Agreement providing for the issuance of such Series of Bonds and setting forth the terms of such Bonds and, among other matters, the amount, if any, to be deposited to the credit of the Housing Reserve Fund and/or Project Reserve Fund to increase the amount(s) therein to an amount equal to the Reserve Fund Requirement, and the amount, if any, of Bond proceeds to be deposited to the credit of the Housing Interest Account or Project Interest Account as Capitalized Interest;
- (c) if a Municipal Bond Insurance Policy and/or Reserve Fund Insurance Policy is to be provided at the time of issuance of the Series, the executed Municipal Bond Insurance Policy and/or Reserve Fund Insurance Policy together with an enforceability opinion of counsel to the provider of such policy;
- (d) an opinion of the Agency Counsel (or other competent attorney representing the Agency) to the effect that the issuance of such Bonds has been duly authorized and that all legal conditions precedent to the delivery of such Bonds have been fulfilled;
- (e) as a condition to the issuance of any Bonds subsequent to the issuance of the Initial Bonds, there shall first be delivered to the Trustee and any Insurer a certificate prepared by an Authorized Agency Representative stating that no Event of Default under the Agreement has occurred and is continuing and accompanied by a report from an Independent Accountant or Independent Redevelopment Consultant showing, as applicable, (i) with respect to Project Parity Bonds that the Project Tax Revenues to be collected in the then current Bond Year (including unitary revenues, using the then most recently established assessed value for the Redevelopment Project Area, a 1% tax rate and assuming assessment appeals then currently on file are settled at the average rate for which such appeals were settled in the then last two Fiscal Years but excluding any Educational Revenue Augmentation Fund payments made from Tax Revenues, any Policy Costs and any subvention payments made by the State) will be at least equal to 150% of Maximum Annual Debt Service [125% for Southcrest] for all Project Parity Bonds which will be Outstanding immediately after the issuance of the proposed Project Parity Bonds, and (ii) with respect to Housing Parity Bonds that the Housing Tax Revenues to be collected in the then current Bond Year (including unitary revenues, using the then most recently established assessed value for the Redevelopment Project Area, a 1% tax rate and

assuming assessment appeals then currently on file are settled at the average rate for which such appeals were settled in the then last two Fiscal Years but excluding any Educational Revenue Augmentation Fund payments made from Tax Revenues, any Policy Costs and any subvention payments made by the State) was at least equal to 150% of Maximum Annual Debt Service [125% for Southcrest] for all Housing Parity Bonds which will be Outstanding immediately after the issuance of the proposed Housing Parity Bonds (provided that the certificate described in this subparagraph shall not be required if the Bonds are issued for the purpose of refunding Outstanding Bonds and Maximum Annual Debt Service will not be increased as a result of such issuance);

(f) an opinion of Bond Counsel to the effect that the issuance of such Bonds has been duly authorized, that all legal conditions precedent to the delivery of such Bonds have been fulfilled, that the Bonds are valid and binding obligations of the Agency in accordance with their terms and, if it is the intention of the Agency that interest on the Bonds of such Series is to be excludable from gross income for federal income tax purposes, that the interest on the Bonds will be excludable from gross income for federal income tax purposes; and

(g) written instructions from the Agency to authenticate the Bonds and, upon receipt of the purchase price of the Bonds, to deliver the Bonds to or upon the order of the purchasers named in such instructions.

When the documents mentioned in clauses (a) to (g), inclusive, of the Section shall have been filed with the Trustee and when such Bonds shall have been executed and authenticated, the Trustee or authenticating agent shall deliver such Bonds to or upon the order of the purchasers thereof, but only upon payment by the purchasers of the purchase price of such Bonds.

Simultaneously with the delivery of any Series of Bonds, the Trustee shall apply the proceeds of such Bonds as follows:

(1) deposit, as applicable, to the credit of the Housing Interest Account and/or Project Interest Account, the accrued interest, if any;

(2) deposit, as applicable, to the credit of the Housing Interest Account and/or Project Interest Account, an amount equal to the Capitalized Interest on the Bonds, if any;

(3) deposit, as applicable, to the credit of the Housing Reserve Fund and/or Project Reserve Fund, the amount necessary to meet the Reserve Requirement as provided in the Supplemental Trust Agreement; and

(4) pay or deposit the balance of the proceeds as provided in the Supplemental Trust Agreement.

For recordkeeping purposes, the Trustee may establish such temporary accounts as may be necessary to reflect such transfer of proceeds.

### **Pledge of Tax Revenues; Funds and Accounts**

Bonds Secured by First Lien on Tax Revenues. The Housing Parity Bonds authorized and issued under the provisions of the Agreement shall be secured by a first lien on and pledge of Housing Tax Revenues and the Project Parity Bonds authorized and issued under the provisions of the Agreement shall be secured by a first lien on and pledge of Project Tax Revenues and the Agency by execution of the Agreement does hereby grant such pledge and first lien on the Tax Revenues to secure the Bonds. The Agency represents and states that it has not previously created any currently outstanding prior charge or lien on the Tax Revenues, and the

Agency covenants that, until all the Bonds authorized and issued under the provisions of the Agreement and the interest thereon shall have been paid or are deemed to have been paid, except as set forth under the Agreement, it will not grant any prior or parity pledge of Tax Revenues or create or permit to be created any charge or lien on the Tax Revenues ranking prior to the charge or lien on the Bonds issued pursuant to the Agreement. The Agency may create or permit to be created a charge or lien on the Tax Revenues ranking junior and subordinate to the charge or lien on the Bonds issued pursuant to the Agreement.

Authorization for Creation of Redevelopment Fund; Housing Trust Fund. Proceeds of Project Parity Bonds which are to be used to finance additional development in a Redevelopment Project Area shall be deposited into a Redevelopment Fund which may be held either by the Agency or the Trustee, all as provided by the Agreement and the applicable Supplemental Trust Agreement or Supplemental Trust Agreements. All moneys in the Redevelopment Fund shall be held and disbursed as provided in the Supplemental Trust Agreements under which such fund or funds were created. Proceeds of Housing Parity Bonds which are to be used to finance additional housing development or housing related activities in or for the benefit of a Redevelopment Project Area shall be deposited into a Housing Trust Fund which may be held either by the Agency or the Trustee, all as provided by the Agreement and the applicable Supplemental Trust Agreement or Supplemental Trust Agreements. All moneys in the Housing Trust Fund shall be held and disbursed as provided in the Supplemental Trust Agreements under which such fund or funds were created.

Collection of Tax Revenues; Housing Revenue Fund and Project Revenue Fund.

(a) The Agency shall cause the Housing Tax Revenues for a Redevelopment Project to be collected and paid to the Trustee for placement in the Housing Revenue Fund for such Redevelopment Project Area, and the Agency shall promptly transfer to the Trustee all Housing Tax Revenues which constitute Pledged Tax Revenues which it receives. The Trustee shall place all Housing Tax Revenues it receives in the applicable Housing Revenue Fund and shall disburse such moneys in the manner set forth in Section 4.05 of the Trust Agreement.

(b) The Agency shall cause the Project Tax Revenues for a Redevelopment Project Area to be collected and paid to the Trustee for placement in the Project Revenue Fund for such Redevelopment Project Area, and the Agency shall promptly transfer to the Trustee all Project Tax Revenues which constitute Pledged Tax Revenues which it receives. The Trustee shall place all Project Tax Revenues it receives in the applicable Project Revenue Fund and shall disburse such moneys in the manner set forth in Section 4.05 of the Trust Agreement.

Debt Service Funds, the Reserve Funds and Certain Accounts. There is created in the Housing Debt Service Fund for each Redevelopment Project Area two separate accounts designated "Housing Interest Account" and "Housing Principal Account", and there is created in the Housing Interest Account a subaccount for each Series of Housing Parity Bonds, and there is created in the Housing Principal Account a subaccount for each Series of Housing Parity Bonds.

There is created in the Project Debt Service Fund for each Redevelopment Project Area two separate accounts designated "Project Interest Account" and "Project Principal Account", and there is created in the Project Interest Account a subaccount for each Series of Project Parity Bonds, and there is created in the Project Principal Account a subaccount for each Series of Project Parity Bonds.

The Trustee shall deposit into these funds and accounts such amounts as provided in Sections 2.09 and 4.05 and Article VI of the Trust Agreements and as provided in any applicable Supplemental Trust Agreement and shall also deposit into such funds such amounts as are received with instructions from the Agency to the Trustee to deposit such amounts into a specific fund, account or subaccount.

Withdrawals From Revenue Fund; Excess Moneys.

(a) The Trustee, on or prior to each Interest Payment Date, shall withdraw from the Housing Revenue Fund an amount sufficient, with any other available moneys, if any, provided to the Trustee to make such deposits, to make the deposits described in clauses (a)(i) through (iii), inclusive, below and shall deposit such sum so withdrawn to the credit of the following accounts:

(i) to the credit of the Housing Interest Account of the Housing Debt Service Fund an amount (together with any moneys in such account) equal to the interest payable on the Outstanding Housing Parity Bonds on such Interest Payment Date;

(ii) to the credit of the Housing Principal Account of the Housing Debt Service Fund an amount (together with any moneys in such account) equal to the principal and Accreted Value coming due and payable (whether by maturity or mandatory sinking fund payments) on the Outstanding Housing Parity Bonds on such Interest Payment Date; and

(iii) to the credit of the Housing Reserve Fund such portion of the balance, if any, remaining after making the deposits described in clauses (a)(i) and (ii) above to increase the amount on deposit in the Housing Reserve Fund to an amount equal to the Reserve Fund Requirement, or if the entire balance is less than the amount necessary, then the entire balance shall be deposited into the Housing Reserve Fund;

Any moneys remaining in the Housing Revenue Fund after making all of the deposits described in clauses (i) through (iii), inclusive, above for any Bond Year shall be transferred to the Housing Trust Fund (after payment of any outstanding fees and expenses due to the Trustee for the Trustee's services hereunder) for use by the Agency for any lawful purpose and will no longer constitute "Pledged Tax Revenues."

If the Housing Tax Revenues and any other funds provided by the Agency are insufficient to make the full deposits required by subparagraphs (i) or (ii) above, the Trustee shall credit the respective subaccounts on a pro rata basis.

(b) The Trustee, on or prior to each Interest Payment Date, shall withdraw from the Project Revenue Fund an amount sufficient, with any other available moneys, if any, provided to the Trustee to make such deposits, to make the deposits described in clauses (b)(i) through (iii), inclusive, below and shall deposit such sum so withdrawn to the credit of the following accounts:

(i) to the credit of the Project Interest Account of the Project Debt Service Fund an amount (together with any moneys in such account) equal to the interest payable on the Outstanding Project Parity Bonds on such Interest Payment Date;

(ii) to the credit of the Project Principal Account of the Project Debt Service Fund an amount (together with any moneys in such account) equal to the principal and Accreted Value coming due and payable (whether by maturity or mandatory sinking fund payments) on the Outstanding Project Parity Bonds on such Interest Payment Date; and

(iii) to the credit of the Project Reserve Fund such portion of the balance, if any, remaining after making the deposits described in clauses (b)(i) and (ii) above to increase the amount on deposit in the Project Reserve Fund to an amount equal to the Project Reserve Fund Requirement, or if the entire balance is less than the amount necessary, then the entire balance shall be deposited into the Project Reserve Fund;

Any moneys remaining in the Project Revenue Fund after making all of the deposits described in clauses (b)(i) through (iii), inclusive, above for any Bond Year shall be transferred to the Agency (after payment of any

outstanding fees and expenses due to the Trustee for the Trustee's services hereunder) for use by the Agency for any lawful purpose and will no longer constitute "Pledged Tax Revenues." If the Project Tax Revenues and any other funds provided by the Agency are insufficient to make the full deposits required by (b)(i) or (b)(ii) above, the Trustee shall credit the respective subaccounts on a pro rata basis.

Withdrawals From Debt Service Funds and Reserve Funds; Valuation of the Reserve Funds. There shall be withdrawn from the Housing Interest Account and the Housing Principal Account from time to time and set aside or deposited with the respective Paying Agents sufficient money for paying the interest on the Housing Parity Bonds and the principal and Accreted Value of and premium on the Housing Parity Bonds as the same shall fall due, or if such interest, principal, Accreted Value or premium, if any, is paid by or through a form of credit enhancement provided for the Housing Parity Bonds, amounts in the Housing Interest Account and Housing Principal Account may, if so provided by Supplemental Trust Agreement, be used to reimburse such payments to the party providing such credit support. Moneys in the subaccounts within the Housing Interest Account and the Housing Principal Account shall when withdrawn as provided above be used to pay interest, principal, Accreted Value or premium, as the case may be, on the Series of Housing Parity Bonds for which the subaccount was created. Moneys held in the Housing Reserve Fund shall be used for the purpose of paying principal and interest on the Bonds if the amounts in the accounts mentioned in clauses (i) and (ii) of Section 4.05 (a) of the Trust Agreement or either of such accounts shall on any date be insufficient to pay in full the interest or principal or interest and principal due on such date.

There shall be withdrawn from the Project Interest Account and the Project Principal Account from time to time and set aside or deposited with the respective Paying Agents sufficient money for paying the interest on the Project Parity Bonds and the principal, Accreted Value of and premium on the Project Parity Bonds as the same shall fall due, or if such interest, principal, Accreted Value or premium is paid by or through a form of credit enhancement provided for the Project Parity Bonds, amounts in the Project Interest Account and Project Principal Account may, if so provided by Supplemental Trust Agreement, be used to reimburse such payments to the party providing such credit support. Moneys in the subaccounts within the Project Interest Account and the Project Principal Account shall when withdrawn as provided above be used to pay interest, principal, Accreted Value or premium, as the case may be, on the Series of Project Parity Bonds for which the subaccount was created. Moneys held in the Project Reserve Fund shall be used for the purpose of paying principal and interest on the Project Parity Bonds if the amounts in the accounts mentioned in clauses (i) and (ii) of Section 4.05 (b) of the applicable Trust Agreement or either of such accounts shall on any date be insufficient to pay in full the interest of principal or interest and principal due on such date.

Disbursements From Housing Trust Fund and the Redevelopment Fund. If, pursuant to one or more Supplemental Trust Agreements, the Trustee holds all or a portion of the Housing Trust Fund or Redevelopment Fund, the Trustee shall disburse moneys in the Housing Trust Fund and Redevelopment Fund then held by the Trustee only upon fulfillment of the conditions set forth in the applicable Supplemental Trust Agreement, or if no such conditions are stated, then funds shall be disbursed to the Agency upon receipt from the Agency of a written requisition executed by an Authorized Agency Representative, which requisition shall state that to the Agency's knowledge no Event of Default has occurred and is continuing under the Agreement and shall state with respect to each amount requested thereby: (i) the requisition number, (ii) the amount to be paid to the Agency or the Agency's designee and the method of payment and (iii) that each item to be paid with the requisitioned funds represents either an incurred or due and payable cost or represents an expenditure to be incurred in the future as part of the costs of the Redevelopment Project or, with respect to expenditures from the Housing Trust Fund, such costs are of benefit to the Redevelopment Project. If the Housing Trust Fund and the Redevelopment Fund or a portion of the Trust Agreement is held by the Agency pursuant to one or more Supplemental Trust Agreements, the Agency shall disburse moneys from the Housing Trust Fund and the Redevelopment Fund held by it for the purposes set out in the Agreement and the applicable Supplemental Trust Agreements as set forth in such Supplemental Trust Agreements or if no procedure is so set forth, then in such manner as the Agency deems proper. The Agency currently intends to hold the Housing Trust Funds and the Redevelopment Funds.

## **Other Covenants of the Agency**

The Agency has made the following covenants under the Agreement.

Punctual Payment. The Agency will punctually pay or cause to be paid the principal and Accreted Value of and interest on the Bonds together with any prepayment premiums, if applicable, thereon in strict conformity with the terms of the Agreement and the applicable Supplemental Trust Agreements, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Trust Agreement and the applicable Supplemental Trust Agreements.

Limitation on Superior Debt. The Agency covenants that, so long as the Bonds remain unpaid, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any Bonds, advances or indebtedness, which is in any case secured by a lien on all or any part of the Tax Revenues which is superior to or on a parity with the lien established hereunder, for the security of the Bonds, excepting only parity Bonds issued pursuant to Section 2.11 of the Trust Agreements. The Agency covenants and agrees that it will take no action related to the expenditure of Tax Revenues which would preclude the due and timely payment of principal of, Accreted Value and interest on the Bonds and that it will comply with the requirements of Section 33675 of the Redevelopment Law, including the annual filing of a "statement of indebtedness" with the Auditor-Controller of the County. Nothing herein is intended or shall be construed in any way to prohibit or impose any limitations upon the issuance or incurrence by the Agency of subordinate debt.

Payment of Claims. The Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Revenues or any part of the Trust Agreement, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

Books and Accounts; Financial Statement. The Agency will keep or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Projects, the Tax Revenues, the Housing Reserve Funds, Project Reserve Funds, the Housing Trust Funds and the Redevelopment Funds. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee and the Owners of any Bonds then Outstanding, or their representatives authorized in writing. The Trustee shall have no duty to review such books of record and account. The Agency will cause to be prepared and sent to the Trustee annually, within two hundred seventy (270) days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Revenue Funds and the Redevelopment Funds and the financial condition of the Redevelopment Projects, including the balances in all funds and accounts relating to the Redevelopment Projects, as the end of such Fiscal Year. The Agency will furnish a copy of such statements, upon reasonable request, to any Bond Owner. The Trustee shall have no duty to review such statements.

Protection of Security and Rights. The Agency will preserve and protect the security of the Bonds and the rights of the Trustee and the Bond Owners with respect to the Bonds.

Payments of Taxes and Other Charges. The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project Area, when the same shall become due. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will

duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

Taxation of Leased Property. [Central Imperial Only] Twenty percent (20%) of any amounts derived by the Agency pursuant to Section 33673 of the Redevelopment Law with respect to the lease of property for redevelopment shall be treated as Tax Revenues for all purposes of the Trust Agreement, and shall be paid to the Agency for deposit in the applicable Revenue Funds.

Disposition of Property. The Agency will not knowingly participate in the disposition of any land or real property in the Redevelopment Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Trust Agreement) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in the Redevelopment Project Area unless such disposition is permitted as hereinafter provided. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Consultant to report on the effect of said proposed disposition. If the report of the Independent Redevelopment Consultant concludes that the security of the Bonds and the rights of the Agency, the Bond Owners and the Trustee hereunder will not be (and are not currently) materially impaired by said proposed disposition (i.e., Housing Tax Revenues or Project Tax Revenue will not be below 150% [125% for Southcrest] of Maximum Annual Debt Service for Bonds payable from such Tax Revenues), the Agency may thereafter make such disposition. If said Report concludes that such security will be materially impaired by said proposed disposition, the Agency shall disapprove said proposed disposition (or such security is already materially impaired), the Agency covenants and agrees that if all or more than five percent of the Redevelopment Project Area should be taken from it, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, the Agency shall use its best efforts to adjust, in accordance with applicable law, the tax increment base of the Redevelopment Project Area to reflect such taking(s).

Maintenance of Tax Revenues. The Agency shall comply with all requirements of the Redevelopment Law to ensure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State. The Agency shall not enter into any agreement or any amendment of any agreement with the County or any other governmental unit which would have the effect of reducing the amount of Tax Revenues available to the Agency for payment of the Bonds (excluding taxes attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, Accreted Value, and the interest on, any bonded indebtedness of such taxing agency), unless the Agency shall first obtain the Report of an Independent Redevelopment Consultant stating that (i) the Housing Tax Revenues and the Project Tax Revenues estimated to be received in the current Fiscal Year and in each of the three (3) succeeding Fiscal Years shall be at least equal to one hundred fifty percent (150%) of Maximum Annual Debt Service [one hundred twenty five percent (125%) for Southcrest] payable from said Tax Revenues and (ii) thereafter said amendment or agreement will not reduce Housing Tax Revenues and the Project Tax Revenues below one hundred fifty percent (150%) of Maximum Annual Debt Service [one hundred twenty five percent (125%) for Southcrest] payable from said Tax Revenues.

Payment of Expenses; Indemnification. The Agency shall pay to the Trustee all compensation for all services rendered under the Trust Agreement and any Supplemental Trust Agreement within thirty (30) days of the receipt of a statement therefor, including but not limited to all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder and thereunder. Upon the occurrence of an Event of Default of the type described in Sections 8.01 (a), (b) or (c) of the Trust Agreement, the Trustee shall have a first lien on the Pledged Tax Revenues and the Reserve Funds to secure the payment to the Trustee, Registrar and Paying Agent of all fees, costs and expenses, including reasonable compensation to its experts, attorneys

and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII of the Trust Agreement.

The Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any losses, expenses and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder and under the Agreement, including the costs and expense (including the allocated cost of in-house counsel) of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Agency under the paragraph shall survive the resignation or removal of the Trustee under the Agreement and payment of the Bonds and the discharge of the Agreement.

Redevelopment of Redevelopment Project Area. The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Redevelopment Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Redevelopment Law. Without limiting the generality of the foregoing, the Agency covenants that it shall deposit or cause to be deposited in the Redevelopment Fund all amounts when, as and if required to be deposited therein pursuant to the Redevelopment Law. The Redevelopment Plan may be amended as provided in the Redevelopment Law but, unless said amendment is agreed to in writing by the Insurer, if any, of all Outstanding Bonds, no amendment shall be made (i) which would cause, in the Bond year following such amendment, Housing Tax Revenues or Project Tax Revenues to fall below 150% [125% for Southcrest] of Maximum Annual Debt Service payable from such Tax Revenues or (ii) which will impair the Agency's ability to timely pay the principal of, Accrued Value and interest on the Bonds within the life of the Bonds within constraints imposed by the Tax Increment Limitation or otherwise, all as certified by the Independent Redevelopment Consultant. The Agency further covenants and confirms to take any and all further actions necessary to enforce the lien and pledge of all Tax Revenues lawfully received by the Agency from all properties within the Redevelopment Project Area for payment of principal of, Accrued Value and interest on the Bonds to the fullest extent permitted by law.

Further Assurances. The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement and for the better assuring and confirming unto the Trustee and the Owners of the Bonds of the rights and benefits provided in the Trust Agreement.

Plan Limit. The Agency covenants and agrees to annually review the total amount of Tax Revenues remaining to be received by the Agency under the Tax Increment Limitation without deduction for any amounts reserved to taxing entities under Health and Safety Code Sections 33676, 33607.5 and 33607.7 or under other provisions of Law and to annually review future cumulative Annual Debt Service and future cumulative payments reserved to taxing entities under Health and Safety Code Sections 33676, 33607.5 and 33607.7 (or under other provisions of Law). The Agency will not accept Tax Revenues or incur additional obligations payable from Tax Revenues, if such acceptance or incurrence will cause the amount remaining under the Tax Increment Limitation to fall below 110% of remaining aggregate cumulative debt service on all of the Bonds payable from Tax Revenues, estimated future aggregate payments reserved to the taxing entities under Health and Safety Code Sections 33676, 33607.5 and 33607.7 or under other provisions of Redevelopment Law and other indebtedness established pursuant to Section 33333.2 of the Redevelopment Law, except for the purpose of depositing such revenues in escrow for future debt service payments with respect to such Bonds, payments to such taxing entities or other indebtedness.

Additional Disclosure. The Agency covenants and agrees to comply with the applicable provisions of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended with respect to continuing disclosure obligations of issuers of municipal obligations for so long as any Bonds issued under the Agreement are Outstanding.

Tax Exemption. The Agency has covenanted under the Supplemental Trust Agreement for the tax-exempt Bonds not to take, or permit or suffer to be taken by the Trustee, any action with respect to the proceeds of the tax exempt Bonds or the funds as accounts held therefor which will have the effect of causing the interest received by the Holders of the tax exempt Bonds not to be excludable from gross income for federal income tax purposes under the Code.

## **Investments**

Moneys held by the Trustee in the funds and accounts created under the Agreement shall be invested and reinvested by the Trustee in Permitted Investments as directed by the Agency, subject to the restrictions set forth in the Agreement and in any applicable Supplemental Trust Agreement and subject to the investment restrictions imposed upon the Agency by the laws of the State. Moneys on deposit in the Housing Revenue Funds, the Project Revenue Funds, the Housing Debt Service Funds, the Project Debt Service Funds, the Housing Reserve Funds and the Project Reserve Funds shall be invested solely in (a) Government Obligations of the type described in subdivision (i) or (ii) of the definition of the Trust Agreement and (b) obligations of any agency or instrumentality of the United States of America backed by the full faith and credit of the United States of America; provided, however, that such moneys may be invested on a temporary basis (fourteen days or less) in a money market fund rated in the highest rating category by Moody's and S&P.

## **Defeasance**

Bonds or portions of the Bonds (each such portion to be in integral multiples of the Authorized Denomination) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of the Agreement except for the purposes of payment from moneys or Government Obligations held by the Trustee or a Paying Agent for such purposes. When all Bonds which have been issued under the Agreement have been paid in full or are deemed to have been paid in full, and all other sums payable hereunder by the Agency, including all necessary and proper fees, compensation and expenses of the Trustee, and Registrar and the Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the Tax Revenues shall thereupon cease, terminate and become void, and thereupon the Trustee shall cancel, discharge and release the Agreement, shall execute, acknowledge and deliver to the Agency such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and such satisfaction and discharge and shall assign and deliver to the Agency any property and revenues at the time subject to the Agreement which may then be in the Trustee's possession, except funds or securities in which such funds are invested and held by the Trustee or the Paying Agents for the payment of the principal of, Accreted Value, premium, if any, and interest on the Bonds.

A Bond shall be deemed to be paid within the meaning of the Article VII and for all purposes of the Agreement when (a) payment of the principal, Accreted Value, interest and premium, if any, either (i) shall have been made or caused to be made in accordance with the terms of the Bonds and the Agreement or (ii) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment and/or (2) noncallable, nonrepayable Government Obligations described in subdivision (i) or (ii) of the definition of the Trust Agreement, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, (b) all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent pertaining to the Bonds with respect to which such deposit is made shall have been paid or provision made for the payment of the Trust Agreement, and (c) a report shall have been delivered to the Agency and Trustee from a nationally recognized firm of Independent Accountants verifying the computations which indicate that such Government Obligations and moneys to be irrevocably deposited in trust will be sufficient to provide for the payment of all of the principal of, premium, if any, and interest on such Bonds when due in accordance with their terms. At such times as Bonds shall be deemed to be paid hereunder, such Bonds shall no longer be secured by or entitled to the benefits of the Agreement, except for the purposes of payment from such moneys or Government Obligations.

## **Defaults and Remedies**

Events of Default. The Agreement listed the following as "Events of Default":

- (a) a failure to pay the principal, Accreted Value or premium, if any, on any of the Bonds when the same shall become due and payable at maturity or upon redemption;
- (b) a failure to pay any installment of interest on any of the Bonds when such interest shall become due and payable;
- (c) a failure by the Agency to observe and perform any covenant, condition, agreement or provisions (other than as specified in paragraphs (a), (b) and (c) of the Section 8.01) contained in the Bonds or in the Agreement on the part of the Agency to be observed or performed, which failure shall continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Agency by the Trustee, which notice may be given at the discretion of the Trustee and shall be given upon receipt by the Trustee of a written request of holders of 25% or more of the principal amount and Accreted Value of the Bonds then Outstanding, unless the Trustee, or the Trustee and holders of Bonds in a principal amount not less than the principal amount of Bonds the holders of which requested such notice, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee or the Trustee and the holders of such principal amount of Bonds shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Agency within such period and is being diligently pursued;
- (d) any proceeding shall be instituted by or with the consent of the Agency, for the purpose of effecting a compromise between the Agency and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or State statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from Pledged Tax Revenues;
- (e) the use of amounts from the Housing Reserve Fund and/or Project Reserve Fund to pay principal, Accreted Value and/or interest on the Bonds and the failure to restore the amount on deposit in the applicable Reserve Fund to the Reserve Fund Requirement within one year from the date of such withdrawal;
- (f) a failure on the part of the Agency to collect the Tax Revenues or if the Agency diverts or attempts to divert the Pledged Tax Revenues for any use prior to the deposit of the Pledged Tax Revenues into the funds and accounts held by the Trustee or there is created a lien on or a charge against the Pledged Tax Revenues or the funds and accounts held by the Trustee under the Agreement for the benefit of all the Bonds which lien or charge is prior to, or, except to the extent permitted by the Agreement, on a parity with that granted to secure the Bonds; or
- (g) the occurrence of any other Event of Default as is provided in a Supplemental Trust Agreement.

### Remedies.

- (a) Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the principal amount and Accreted Value of the Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust:
  - (i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Agency to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under Redevelopment Law or

any other law to which it is subject and the Agreement, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Agreement;

(ii) bring suit upon the Bonds;

(iii) commence an action or suit in equity to require the Agency to account as if it were the trustee of an express trust for the benefit of the Bondholders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(b) The Trustee shall be under no obligation to take any action with respect to any Event of Default unless the Trustee has actual knowledge of the occurrence of such Event of Default.

Restoration to Former Position. In the event that any proceeding taken by the Trustee to enforce any right under the Agreement shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then the Agency, the Trustee, and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Bondholders' Right to Direct Proceedings. Anything in the Agreement to the contrary notwithstanding, holders of a majority in principal amount of the Bonds then Outstanding hereunder shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Agreement to be taken in connection with the enforcement of the terms of the Agreement or exercising any trust or power conferred on the Trustee by the Agreement; provided that such direction shall not be otherwise than in accordance with the provisions of the law and the Agreement and that there shall have been provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee. **So long as the Insurer is not in default under the Municipal Bond Insurance Policy, the Insurer shall be deemed the sole holder of the insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the insured Bonds are entitled to take pursuant to Articles VIII and IX of the Trust Agreement.**

Limitation on Bondholders' Right To Institute Proceedings. No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power hereunder, or any other remedy hereunder or on such Bonds, unless such Bondholder or Bondholders previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless also holders of 25% or more of the principal amount and Accreted Value of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to institute such suit, action or proceeding under Section 8.02 of the Trust Agreement shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Bondholders shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the Agreement, or to enforce any right hereunder or under the Bonds, except in the manner herein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Bondholders.

## **Trustee; Paying Agent and Co-Paying Agent; Registrar**

### Duties of Trustee.

- (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.
- (b) Except during the continuance of an Event of Default:
- (1) the Trustee need perform only those duties that are specifically set forth in the Agreement and no others; and
  - (2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Agreement. However, the Trustee shall examine the certificates and opinions to determine whether they conform to the requirements of the Agreement.

No provisions of the Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

### Rights of Trustee.

- (a) Subject to the foregoing Section, the Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, request, consent, order, bond or other paper document believed by it to be genuine and to have been signed or presented by the proper person, and the Trustee need not investigate any fact or matter stated in the document.
- (b) Before the Trustee acts or refrains from acting, it may require a certificate of an Authorized Agency Representative or a written opinion of counsel.

Notice of Defaults. The Trustee shall not be deemed to have knowledge of any Event of Default unless and until a Responsible Officer of the Trustee shall have actual knowledge thereof or shall have received written notice thereof at its principal office. If an event occurs which with the giving of notice or lapse of time or both would be an Event of Default, and if the event is continuing and if it is actually known to the Trustee, the Trustee shall mail to each Bondholder notice of the event within 30 days after it occurs and becomes known to the Trustee. Except in the case of a default in payment or purchase of any Bonds, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interest of the Bondholders.

Eligibility of Trustee. The Agreement shall always have a Trustee that is a trust company or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is subject to supervision or examination by the United States of America, any State or District of Columbia authority and has combined capital and surplus of at least \$50,000,000 [\$75,000,000 for Central Imperial] as set forth in its most recent published annual report of condition.

Replacement of Trustee. The Trustee may resign by notifying the Agency in writing at least 60 days prior to the proposed effective date of the resignation. The Agency, the Insurer or the holders of a majority in principal amount of the Bonds may remove the Trustee by notice in writing delivered to the Trustee, if (a) the

Trustee fails to comply with the terms of the Agreement, (b) the Trustee is adjudged a bankrupt or an insolvent, (c) a receiver or other public officer takes charges of the Trustee or its property, (d) the Trustee otherwise becomes incapable of acting or (e) the Agency determines that the Trustee's services are no longer satisfactory to the Agency; provided, however, that the Agency shall have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing.

No resignation or removal of the Trustee shall be effective until a new Trustee has taken office.

If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Agreement, the Agency shall promptly appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Agency. Immediately thereafter, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the rating Trustee shall then (but only then) become effective and the successor Trustee shall have all the rights, powers and duties of the Trustee under the Agreement. The successor Trustee shall notify the Bondholders of its appointment.

If a successor Trustee does not take office within 60 days after retiring Trustee delivers notice of resignation, the Agency or the Holders of a majority in principal amount of the Bonds or the Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Paying Agents, Registrars and other Agents. The Agency may at any time or from time to time appoint Paying Agents, Registrars and other agents for one or more Series of Bonds and may remove the same all in accordance with the provisions of the Agreement and one or more Supplemental Trust Agreements.

#### Accounting Records and Reports of the Trustee.

(a) The Trustee shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds, the Tax Revenues and all funds and accounts established and held by the Trustee pursuant to the Agreement. Such books of record and account shall be available for inspection by the Agency and Bondholder, or his agent or representative duly authorized in writing, at reasonable hours under reasonable circumstances.

(b) The Trustee shall provide to the Agency each month a monthly report of Pledged Tax Revenues received and the amounts deposited into each fund and account held under the Agreement and the amount disbursed from such funds and accounts and the balance in each of such funds and accounts.

(c) The Trustee shall annually file and furnish to the Agency and to each Bondholder who shall have filed his name and address with the Trustee for such purpose (at such Bondholder's cost) a complete report (which need not be audited) covering receipts, disbursements, allocation and application of Pledged Tax Revenues and any other moneys in any of the funds and accounts established and held by the Trustee pursuant to the Agreement for the preceding year.

#### **Modification of the Trust Agreements**

A. Supplemental Trust Agreements Not Requiring Consent of Bondholders. The Agency and the Trustee may, from time to time and at any time, without the consent of or notice to the Bondholders, execute and deliver Supplemental Trust Agreements supplementing and/or amending the Agreement or any Supplemental Trust Agreement as follows:

(1) to provide for issuance of a Series or multiple Series of Bonds under the provisions of Section 2.09 of the Agreement and to set forth the terms of such Bonds and the special provisions which shall apply to such Bonds;

(2) to cure any formal defect, omission, inconsistency or ambiguity in the Agreement or any Supplemental Trust Agreement;

(3) to add to the covenants and agreements of the Agency in the Agreement or any Supplemental Trust Agreement other covenants and agreements, or to surrender any right or power reserved or conferred upon the Agency, and which, in the reasonable judgment of the Agency, shall not adversely affect the interests of the Bondholders;

(4) to confirm, as further assurance, any interest of the Trustee in and to the Pledged Tax Revenues or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the Agency provided pursuant to the Agreement or to otherwise add additional security for the Bondholders;

(5) to evidence any change made in the terms of any Series of Bonds if such changes are authorized by the Supplemental Trust Agreement at the time the Series of Bonds is issued and such change is made in accordance with the terms of such Supplemental Trust Agreement;

(6) to comply with any applicable requirements of the Trust Indenture Act of 1939, as from time to time amended;

(7) to modify, alter, amend or supplement the Agreement or any Supplemental Trust Agreement in any other respect which, in the reasonable judgment of the Agency, is not materially adverse to the Bondholders;

(8) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal;

(9) to qualify the Bonds or a Series of Bonds for a rating or ratings (higher than or equal to the then current ratings(s), if any, on the Bonds) by Moody's and/or S&P; and

(10) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to protect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Before the Agency and the Trustee shall, pursuant to Paragraph A, execute any Supplemental Trust Agreement subsequent to the initial Supplemental Trust Agreements, there shall have been delivered to the Agency an opinion of Bond Counsel stating that such Supplemental Trust Agreement is authorized or permitted by the Agreement, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery of the Trust Agreement, be valid and binding upon the Agency in accordance with its terms and will not, in itself, adversely affect the exemption from federal income taxation of interest on Bonds which are then unpaid and for which there has been delivered an opinion of Bond Counsel to the effect that interest in such Bonds is exempt from federal income taxation.

**B. Supplemental Trust Agreements Requiring Consent of Bondholders.**

(1) Except for any Supplemental Trust Agreement entered into pursuant to Paragraph A above and any Supplemental Trust Agreement entered into pursuant to Paragraph B(2) below, subject to the terms and provisions contained in this Paragraph B and not otherwise, the Holders of not less than 60% in aggregate principal amount and Accreted Value of the Bonds then Outstanding shall have

the right from time to time to consent to and approve the execution by the Agency of any Supplemental Trust Agreement deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Agreement or in a Supplemental Trust Agreement; provided, however, that, unless approved in writing by the holders of all the Bonds then Outstanding or unless such change affects less than all Series of Bonds then Outstanding and the following subsection (2) is applicable, nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, Accreted Value or interest on any Outstanding Bonds, or (ii) a reduction in the principal amount, Accreted Value or redemption price of any Outstanding Bonds or the rate of or interest thereon; and provided that nothing herein contained, including the provisions of Paragraph B(2) below, shall, unless approved in writing by the Holders of all the Bonds then outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Agreement as originally executed) upon or pledge of the Pledged Tax Revenues created by the Agreement, ranking prior to or on a parity with the claim created by the Agreement, or (iv) except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a reduction in the aggregate principal amount and Accreted Value of Bonds the consent of the Bondholders of which is required for any such Supplemental Trust Agreement as authorized in Section 10.02, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Pledged Tax Revenues.

(2) The Agency and the Trustee may, from time to time and at any time execute a Supplemental Trust Agreement which amends the provisions of an earlier Supplemental Trust Agreement under which a Series or multiple Series of Bonds were issued. If such Supplemental Trust Agreement is executed for one of the purposes set forth in Paragraph A, no notice to or consent of the Bondholders shall be required. If such Supplemental Trust Agreement contains provisions which affect the rights and interest of less than all Series of Bonds Outstanding and Paragraph A is not applicable, then this subsection B(2) rather than subsection B(1) above shall control and, subject to the terms and provisions contained in this Paragraph B and not otherwise, the Holders of not less than 60% in aggregate principal amount and Accreted Value of the Bonds of all Series which are affected by such changes shall have the right from time to time to consent to and approve the execution by the Agency of any Supplemental Trust Agreement deemed necessary or desirable by the Agency for the purposes of modifying, altering, amending, supplementing, or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Trust Agreement and affecting only the Bonds of such Series; provided, however, that, unless approved in writing by the Holders of all the Bonds of all the affected Series then Outstanding, nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds of such Series or (ii) a reduction in the principal amount, Accreted Value or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Trust Agreement as authorized in Paragraph A above, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Pledged Tax Revenues.

(3) If at any time the Agency shall desire to enter into any Supplemental Trust Agreement for any of the purposes of this Paragraph B, the Agency shall cause notice of the proposed execution of the Supplemental Trust Agreement to be given by Mail to all Bondholders or, under Paragraph B(2), all Bondholders of the affected Series. Such notice shall briefly set forth the nature of the proposed Supplemental Trust Agreement and shall state that a copy of the Trust Agreement is on file at the office of the Agency for inspection by all Bondholders.

(4) Within two weeks after the date of the first mailing of such notice, the Agency and the Trustee may execute and deliver such Supplemental Trust Agreement in substantially the form

described in such notice, but only if there shall have first been delivered to the Agency and the Trustee (i) the required consents, in writing, of Bondholders and (ii) an opinion of Bond Counsel stating that such Supplemental Trust Agreement is authorized or permitted by the Agreement and other applicable law, complies with their respective terms and, upon the execution and delivery thereof, will be valid and binding upon the Agency in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Bonds.

(5) If Bondholders of not less than the percentage of Bonds required by this Paragraph B shall have consented to and approved the execution and delivery thereof and herein provide, no Bondholders shall have any right to object to the adoption of such Supplemental Trust Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, to enjoin or restrain the Agency from executing the same or from taking any action pursuant to the provisions thereof.

### **Miscellaneous Provisions**

No Personal Liability of Agency Officials; Limited Liability of Agency to Bondholders. No covenant or agreement contained in the Bonds or in the Agreement shall be deemed to be the covenant or agreement of any present or future official, officer, agent or employee of the Agency in his individual capacity, and neither the members of the Agency nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Except for the payment from the Pledged Tax Revenues when due of the payments and the observance and performance of the other agreements, conditions, covenants and terms required to be performed by it contained in the Agreement, the Agency shall not have any obligation or liability to the Bondholders with respect to the Agreement or the preparation, execution, delivery, transfer, exchange or cancellation of the Bonds or the receipt, deposit or disbursement of the payments by the Trustee, or with respect to the performance by the Trustee of any obligation required to be performed by it contained in the Agreement.

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## **APPENDIX D**

### **BOOK-ENTRY SYSTEM**

**The information concerning DTC and DTC book-entry system has been obtained from DTC, and the Agency and the Underwriters take no responsibility for the accuracy or completeness thereof.**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each series and maturity of the Bonds, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, ("NSCC," "FICC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). The information on these websites is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants

to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest, purchase price and redemption premium, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, purchase price, redemption premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, securities certificates will be printed and delivered as described in the Indentures.

**The Agency, the Authority, the Underwriters and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or any premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Agency, the Authority, the Underwriters and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.**

**APPENDIX E**  
**FORM OF OPINION OF BOND COUNSEL**

Public Facilities Financing Authority  
of the City of San Diego, California  
202 C Street,  
San Diego, California 92101

Redevelopment Agency  
of the City of San Diego, California  
202 C Street, 9th Floor  
San Diego, California 92101

\$17,230,000

Public Facilities Financing Authority of the City of San Diego, California  
Pooled Financing Bonds, 2007 Series A (Taxable)  
(Southcrest, Central Imperial and Mount Hope Redevelopment Projects)

and

\$17,755,000

Public Facilities Financing Authority of the City of San Diego, California  
Pooled Financing Bonds, 2007 Series B (Tax Exempt)  
(Southcrest and Central Imperial Redevelopment Projects)  
(Final Opinion)

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the Public Facilities Financing Authority of the City of San Diego, California (the "Authority") of its \$17,230,000 Pooled Financing Bonds, 2007 Series A (Taxable) (Southcrest, Central Imperial and Mount Hope Redevelopment Projects) (the "Series A Bonds") and its \$17,755,000 Pooled Financing Bonds, 2007 Series B (Tax-Exempt) (Southcrest and Central Imperial Redevelopment Projects) (the "Series B Bonds" and, collectively with the Series A Bonds, the "Bonds"). The Bonds are being issued pursuant to the Constitution and the laws of the State of California (the "State"), including the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, and pursuant to separate Indentures of Trust, each dated as of June 1, 2007 (the "Indentures"), by and between the Authority and the Bank of New York Trust Company, N.A., as trustee (the "Trustee"). The Series A Bonds are being issued to provide funds to make three loans to the Redevelopment Agency of the City of San Diego, California (the "Agency") pursuant to three separate loan agreements and supplemental trust agreements, all dated as of June 1, 2007 (the "Loan Agreements"), each of which are by and among the Authority, the Agency and the Trustee. The Series B Bonds are being issued to provide funds to make two additional loans to the Agency pursuant to two of the above mentioned Loan Agreements.

In that connection, we have examined certified copies of the proceedings of the Authority and the Agency with respect to the authorization and issuance of the Bonds, including but not limited to Resolutions adopted by the Council of the City of San Diego on June 12, 2007 and July 10, 2007, Resolutions adopted by the Boards of the Authority and of the Agency on June 14, 2007 and June 12, 2007, respectively, the Indentures, the Loan Agreements and such opinions, certificates and other documents as we deemed necessary or appropriate to render the opinions herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the Agency. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indentures, the Loan Agreements and other relevant documents.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State with full power to enter into the Indentures and the Loan Agreements, to perform the agreements on its part contained therein, and to issue the Bonds.
2. The Indentures and the Loan Agreements have been duly approved by the Authority and constitute valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms. Each Indenture creates a valid pledge of the Revenues (as such term is defined in the applicable Indenture), in accordance with terms of the applicable Indenture.
3. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority.
4. The Loan Agreements have been duly approved by the Agency and constitute the valid and binding obligations of the Agency enforceable against the Agency in accordance with their respective terms. Each Loan Agreement creates a valid pledge of the Pledged Tax Revenues (as such term is defined in each Loan Agreement), in accordance with the terms of the applicable Loan Agreement.
5. The Internal Revenue Code of 1986, as amended to date (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds. The Agency and the Authority have covenanted in the Indenture and the Loan Agreements related to the Series B Bonds to maintain the exclusion of interest on the Series B Bonds from the gross income of the owners thereof for federal income tax purposes, but have made no such covenants with respect to the Series A Bonds. In our opinion, under existing law, interest on the Series A Bonds and the Series B Bonds is exempt from personal income taxes of the State of California. Under existing statutes, regulations, rulings and court decisions, assuming compliance with the aforementioned covenants, interest on the Series B Bonds is excluded pursuant to section 103 of the Code from the gross income of the owners thereof for federal income tax purposes. We are of the further opinion that the Series B Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Series B Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code, although we observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or accrual or receipt of interest on the Series A Bonds or the Series B Bonds, although we observe, assuming noncompliance by the Agency and the Authority with the above mentioned requirements of the Code with respect to the Series A

Bonds, that interest on the Series A Bonds will be fully includable in the gross income of the recipients thereof for federal income tax purposes (taxable).

We call attention to the fact that the rights and obligations under the Bonds, the Indentures and the Loan Agreements may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against local agencies in the State. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Further, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto and we express no opinion as to the sufficiency of the Tax Revenues, Pledged Tax Revenues or Revenues to pay debt service on the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully Submitted,

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**APPENDIX F**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate, dated as of June 1, 2007 (the "Disclosure Certificate") is executed and delivered by the Redevelopment Agency of the City of San Diego (the "Agency") in connection with the issuance of the \$17,230,000 Public Facilities Financing Authority of the City of San Diego, California (the "Authority"), Pooled Financing Bonds 2007 Series A (Taxable) (Southcrest, Central Imperial and Mount Hope Redevelopment Projects) (the "Taxable Bonds") and the \$17,755,000 Public Facilities Financing Authority of the City of San Diego, California, Pooled Financing Bonds 2007 Series B (Tax-Exempt) (Southcrest and Central Imperial Redevelopment Projects) (the "Tax-Exempt Bonds" and together with the Taxable Bonds, the "Bonds"). The Taxable Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2007 (the "Taxable Indenture"), between the Authority and The Bank of New York Trust Company, N.A. The Tax-Exempt Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2007 (the "Tax-Exempt Indenture" and together with the Taxable Indenture, the "Indentures"), between the Authority and The Bank of New York Trust Company, N.A. The proceeds of the Bonds are being loaned to the Agency to provide funds to finance redevelopment activity within the Southcrest Redevelopment Project Area, the Central Imperial Redevelopment Project Area and the Mount Hope Redevelopment Project Area (collectively the "Redevelopment Project Areas" and each individually a "Redevelopment Project Area"). In connection therewith, the Agency covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined herein).

**Section 2. Definitions.** In addition to the definitions set forth in the Indentures, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean the Agency, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently recognized by the Securities and Exchange Commission are currently set forth in the SEC website located at <http://www.sec.gov/info/municipal/nrmsir.htm>.

"Official Statement" means the Official Statement, dated June 27, 2007, relating to the Bonds.

"Participating Underwriter" shall mean any of the original Underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

### **Section 3. Provision of Annual Reports.**

(a) The Agency shall, or upon written direction shall cause the Dissemination Agent to, not later than 270 days after the end of the Agency's fiscal year (which currently ends June 30<sup>th</sup>), commencing with the report for the 2006-07 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to such date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Agency and shall have no duty or obligation to review such Annual Report.

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board and any appropriate State Repository.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the Agency, and such information is available to it, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

**Section 4. Content of Annual Reports.** The Agency's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial information and operating data with respect to the Agency for the prior fiscal year of the type included in the Official Statement, in the following categories (to the extent not included in the Agency's audited financial statements), for so long as the Loan related to such Redevelopment Project Area remains outstanding: (i) aggregate assessed values of each Redevelopment Project Area; (ii) list of top ten largest local secured property taxpayers within each Redevelopment Project Area; (iii) in the event the assessed value of any of the top ten largest local secured property taxpayers within a Redevelopment Project Area decreases in any fiscal year by more than 25% from the prior fiscal year, the Agency will use its best efforts to determine the cause for such decrease and will include such information in the Annual Report; (iv) calculation of the coverage ratio for such fiscal year, including any Parity Bonds, calculated in the same manner as provided in the Official Statement in Tables 6, 11 and 16; (v) description of outstanding indebtedness payable from Tax Revenues for each Redevelopment Project Area issued during such fiscal year and (vi) a calculation of the remaining available Tax Revenues and future cumulative Annual Debt Service compared against the Tax Increment Limitation for each Redevelopment Project Area, and demonstration of compliance with the plan limit covenant in Section 9.04 of each Loan Agreement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Repositories. The Agency shall clearly identify each such other document so included by reference.

### **Section 5. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indentures.

(d) If the Dissemination Agent has been instructed by the Agency to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Repositories with a copy to the Agency. Notwithstanding the foregoing notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the holders of affected Bonds pursuant to the Indentures.

**Section 6. Termination of Reporting Obligation.** The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**Section 7. Dissemination Agent.** The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Trustee. The Dissemination Agent may resign as Dissemination Agent by providing thirty days written notice to the Agency and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Agency. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Agency in a timely manner and in a form suitable for filing.

The Agency may satisfy its obligations hereunder to file any notice, document or information with a National Repository or State Repository by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such National Repository or State Repository, to the extent permitted by the SEC or

SEC staff or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the dissemination agent or conduit has received an interpretive letter, which has not been revoked, from the SEC staff to the effect that using the agent or conduit to transmit information to the National Repository and State Repository will be treated for purposes of the Rule as if such information were transmitted directly to the National Repository and State Repository.

**Section 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived (provided no amendment that modifies or increases its duties or obligations of the Dissemination Agent shall be effective without the consent of the Dissemination Agent), provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

**Section 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indentures, and the sole remedy under this Disclosure

Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Authority, the Bondholders, or any other party. Other than in the case of negligence, gross negligence or willful misconduct of the Dissemination Agent, the Dissemination Agent shall not have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from any breach of any obligation of the Dissemination Agent. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**Section 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**REDEVELOPMENT AGENCY OF THE CITY  
OF SAN DIEGO**

By: \_\_\_\_\_  
Assistant Executive Director

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**APPENDIX G**  
**FORM OF FINANCIAL GUARANTY INSURANCE POLICY**

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## **FINANCIAL GUARANTY INSURANCE POLICY**

**Obligor:**

**Bonds:**

**Bond Trustee:**

**Insurance Trustee:**

**Policy Number:**

**Premium:**

**Radian Asset Assurance Inc.** ("Insurer"), a corporation organized under the laws of the State of New York, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably guarantees the payment of the Obligation (hereinafter defined) to the Insurance Trustee for the benefit of the Holders (hereinafter defined) from time to time of the Bonds. This Policy does not insure against any risk other than nonpayment of the Obligation by or on behalf of the Obligor or any other obligor to the Bond Trustee. Nonpayment includes recovery from a Holder of Bonds or the Bond Trustee of any portion of the Obligation pursuant to a final judgment by any court of competent jurisdiction holding that such payment constituted a voidable preference within the meaning of any applicable bankruptcy law.

Upon receipt by the Insurer of telephonic or telegraphic notice, such notice subsequently confirmed to the Insurer in writing by registered or certified mail, from the Insurance Trustee that the Obligor (or other obligor responsible for payment of the Obligation) has failed to provide the Bond Trustee with sufficient funds for payment of the Obligation on the Due Date (hereinafter defined), the Insurer shall, not later than such Due Date or the first business day after receipt of such notice, whichever is later, pay to the Insurance Trustee for the benefit of the Holders of the Bonds an amount which shall be sufficient to pay the Obligation, but only upon receipt by the Insurer, in a form reasonably satisfactory to it, of (a) evidence of the Holder's right to receive such payment and (b) evidence, including any appropriate instruments of assignment, that all the Holder's rights with respect to such payment shall thereupon vest in the Insurer. "Due Date" means, when referring to the principal of the Obligation, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund prepayment and does not refer to any earlier date on which payment is due by reason of any other call for redemption, acceleration or other advancement of maturity unless the Insurer shall elect, in its sole discretion, to pay such principal due upon such redemption, acceleration or other advancement of maturity together with any accrued interest to the date of redemption, acceleration or other advancement of maturity. Tendering of payment, to the Bond Trustee, of such principal due upon such redemption, acceleration or other advancement of maturity, together with any accrued interest to the date of such redemption, acceleration or other advancement of maturity, shall satisfy the Insurer's obligations under this Policy, in full. When referring to interest on the Obligation, "Due Date" means the stated date for payment of interest.

The Insurer shall, to the extent of any payment made by it pursuant to this Policy, be deemed to have acquired and become the Holder of the Bonds or portions thereof or interest thereon paid from such payment and shall be fully subrogated to all rights to payment thereof.

As used herein, the term "Holder" or "Holders" means the registered owners of the Bonds as indicated in the registration books maintained by the Bond Trustee for such purpose at the time of nonpayment of the Obligation. The terms "Holder" or "Holders" shall not include the Obligor or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligation. As used herein, the term "Bond Trustee" means the Bond Trustee above named and any successor trustee duly appointed. As used herein, the term "Insurance Trustee" means the Insurance Trustee above named and any successor insurance trustee duly appointed. As used herein, the term "Obligation" means the payment of principal and interest regularly scheduled to be paid on the Bonds, which shall have become due for payment but shall be unpaid on the Due Date, but does not include any premium payable with respect to the Bonds, nor any redemption (except mandatory sinking fund redemption), acceleration or other advancement of maturity.

This Policy is non-cancelable for any reason. Premiums paid on this Policy are not refundable for any reason including without limitation the payment prior to maturity of the Bonds.

IN WITNESS WHEREOF, the Insurer has caused this Policy to be issued to the Insurance Trustee for the benefit of the Holders from time to time of the Bonds and to be executed and delivered by its duly authorized officer to become effective and binding upon the Insurer by virtue of the execution and delivery thereof on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

RADIAN ASSET ASSURANCE INC.

By: \_\_\_\_\_  
Name: [ANALYST]  
Title: [TITLE]

In the event the insurer becomes insolvent, any claims arising under this policy are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 15.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

This policy is not covered by the Property/Casualty Insurance Security Fund established by Article 76 of the New York Insurance Law.





FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272