

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2015**

**INSURED BONDS RATINGS: S&P: “\_”  
UNDERLYING RATING: S&P: “\_”**

**NEW ISSUE  
BOOK ENTRY ONLY**

*In the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for the purposes of computing the alternative minimum tax imposed on certain corporations such interest is required to be taken into account in determining certain income and earnings. Interest on the Bonds is exempt from California personal income taxes. See “OTHER INFORMATION – Tax Matters” herein.*

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**Riverside County Public Financing Authority  
2015 Series A Tax Allocation Revenue Bonds  
(Project Area No. 1, Desert Communities and Interstate 215 Corridor Projects)**

**Dated: Date of Delivery**

**Due: October 1, as shown herein**

The Riverside County Public Financing Authority 2015 Series A Tax Allocation Revenue Bonds (Project Area No. 1, Desert Communities and Interstate 215 Corridor Projects) (the “Bonds”) are being issued by the Riverside County Public Financing Authority (the “Authority”) to provide funds to purchase separate bonds (the “Agency Bonds”) being issued by the Successor Agency to the Redevelopment Agency for the County of Riverside (the “Agency” or “Successor Agency”) to assist in refinancing certain redevelopment activities with respect to the Project Area No. 1, Desert Communities and Interstate 215 Corridor Projects of the Agency (together, the “Project Areas”), as further described herein.

The Bonds will be secured under an Indenture of Trust (the “Indenture”), dated as of \_\_\_\_\_, 2015, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are secured by a pledge of, security interest in and lien on the Revenues (as defined in the Indenture), which consist principally of payments to be made by the Agency to the Authority as debt service on the Agency Bonds. The Agency Bonds are secured under three separate Indentures of Trust, each dated as of \_\_\_\_\_, 2015, by and between the Agency and the Trustee (the “Agency Bonds Indentures”). The payments due under the Agency Bonds Indentures are secured by a pledge of, security interest in and lien on Tax Revenues (as defined in the Agency Bonds Indentures and described herein) allocated as described herein and subject to certain Pass-Through Agreements and Statutory Pass-Through Obligations of the Agency. The Agency has covenanted not to issue any obligations payable from Tax Revenues, described herein, on a senior basis to the Agency Bonds. See “SECURITY FOR THE BONDS AND THE AGENCY BONDS” herein.

The Bonds are being issued 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 April 1, 2016. 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 redemption prior to maturity as described herein. See “THE BONDS — Redemption of the Bonds” herein.**

The Successor Agency has applied for a municipal bond insurance policy and a reserve fund surety bond and will decide whether to purchase any such policy and/or surety bond in connection with the offering of the Bonds. Such information will be released prior to offering the Bonds and will be included in the Official Statement.

The Bonds are a special obligation of the Authority payable solely from certain payments from the Agency and certain other funds. Neither the County of Riverside, the State of California nor the Authority shall be obligated to pay the principal of the Bonds, or the interest thereon, except from the funds described above, and neither the faith and the credit nor the taxing power of the Agency, the County, the State of California nor any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the Agency, the County, the State of California or any political subdivision thereof to levy or pledge any form of taxation whatever therefor or to make any appropriations for their payment. Neither the Authority nor the Agency has taxing power.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used and not defined on this cover page shall have the meanings set forth herein.

For a discussion of some of the risks associated with a purchase of the Bonds, see “RISK FACTORS” herein.

**MATURITY SCHEDULE  
See inside front cover**

The Bonds are offered when, as and if issued, subject to the approval of their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain disclosure matters will be passed upon for the Authority by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel. Certain matters will be passed upon for the Authority and the Agency by the Office of the County of Riverside County Counsel, and for the Underwriter by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. It is anticipated that the Bonds will be available for delivery in definitive form on or about \_\_\_\_\_, 2015.

**Citigroup**

**Stifel**

Dated: \_\_\_\_\_

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

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**Riverside County Public Financing Authority**  
**2015 Series A Tax Allocation Revenue Bonds**  
**(Project Area No. 1, Desert Communities and Interstate 215 Corridor Projects)**

**MATURITY SCHEDULE\***

**(Base CUSIP<sup>†</sup>: \_\_\_\_\_)**

| <u>Maturity</u><br>Date<br>(October 1) | <u>Principal</u><br><u>Amount</u> | <u>Interest</u><br><u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP<sup>†</sup></u> |
|--|-----------------------------------|--------------------------------|--------------|--------------|--------------------------|
|--|-----------------------------------|--------------------------------|--------------|--------------|--------------------------|

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\* Preliminary, subject to change.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of American Bankers Association by S&P Capital IQ. Copyright© 2015 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. The Riverside County Public Financing Authority and the Underwriters do not take any responsibility for the accuracy of the CUSIP® numbers.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Authority or the Successor Agency to give any information or to make any representations in connection with the offer or sale of the Bonds other than as contained in this Official Statement, 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 any person, in any jurisdiction where such offer, solicitation or sale would be unlawful.

The information set forth herein has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Authority or the Successor Agency. Neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Successor Agency since the date hereof. The information and expressions of opinion stated herein are subject to change without notice.

Certain statements included or incorporated by reference in this Official Statement 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 Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions. The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. No assurance is given that actual results will meet the forecasts of the Authority or the Successor Agency in any way, regardless of the optimism communicated in the information, and such statements speak only as of the date of this Official Statement. The Authority or the Successor Agency disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the Authority or the Successor Agency with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

All summaries of the Indenture (as defined herein) or Agency Bonds Indentures (as defined herein), and of statutes and other documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute and document. This Official Statement, including any amendment or supplement hereto, is intended to be deposited with one or more depositories. This Official Statement does not constitute a contract between any Owner of a Bond and the Authority or the Successor Agency.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR AFFECT 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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**RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY  
AUTHORITY/COUNTY BOARD OF SUPERVISORS**

Kevin Jeffries, District 1  
John F. Tavaglione, District 2  
Chuck Washington, District 3  
John J. Benoit, District 4  
Marion Ashley, District 5

**AUTHORITY STAFF**

Jay Orr, Executive Director  
Don Kent, Treasurer  
Kecia Harper-Ihem, Secretary  
Gregory P. Priamos, County Counsel

**SUCCESSOR AGENCY/COUNTY STAFF**

Jay Orr, County Executive Officer  
Don Kent, Treasurer  
Kecia Harper-Ihem, Secretary  
Gregory P. Priamos, County Counsel

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Urban Analytics, LLC  
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**Verification Agent**

Barthe & Wahrman PA CPA's  
Minneapolis, Minnesota

## LOCATION MAP

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**Riverside County Public Financing Authority  
2015 Series A Tax Allocation Revenue Bonds  
(Project Area No. 1, Desert Communities and Interstate 215 Corridor Projects)**

**INTRODUCTION**

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement.

**General**

This Official Statement, including the cover page and appendices hereto, provides information in connection with the issuance by the Riverside County Public Financing Authority (the “Authority”) of \$ \_\_\_\_\_ \* Riverside County Public Financing Authority 2015 Series A Tax Allocation Revenue Bonds (Project Area No. 1, Desert Communities and Interstate 215 Corridor Projects) (the “Bonds”).

**Purpose**

The Bonds are being issued to provide funds to purchase the bonds of the Successor Agency to the Redevelopment Agency for the County of Riverside (the “Agency” or the “Successor Agency”) further described herein (the “Agency Bonds”). The Agency Bonds are being issued (i) to refinance certain outstanding bonds of the now dissolved Redevelopment Agency for the County of Riverside (the “Former Agency”), (ii) to satisfy the reserve requirement for the reserve account for the Agency Bonds [with the provision of a Debt Service Reserve Insurance Policy,] and (iii) to pay costs of issuance of the Bonds and the Agency Bonds, which may include financial guaranty insurance premium for the Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

**The County**

The County, which encompasses 7,177 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, Riverside County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 28 incorporated cities in Riverside County.

**The Authority**

The Authority was established pursuant to a Joint Exercise of Powers Agreement, dated as of March 20, 1990, by and between the County of Riverside (the “County”) and the Redevelopment Agency for the County of Riverside, pursuant to Chapter 5, Division 7, Title 1 of the California Government Code (the “Act”). The Authority has the power under the Act to acquire the bonds and other obligations of local agencies (as such term is defined in the Act). The Board of Supervisors of the County (the “Board”) serves as the Board of Directors of the Authority.

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\* Preliminary, subject to change.

## **The Successor Agency**

As described below, the Successor Agency has succeeded to certain rights of the Former Agency. The Former Agency was organized by the County Board of Supervisors in 1985, to exercise the powers granted by the Redevelopment Law.

Pursuant to the Dissolution Act enacted in 2011 and 2012, redevelopment agencies in California, including the Former Agency, were dissolved, and with certain exceptions, could no longer conduct redevelopment activities. The Successor Agency, however, is authorized to continue to refinance existing bonds in order to achieve a savings in debt service. See “–The Project Areas” below. See also “SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY” for a discussion of the Dissolution Act, the formation of the Successor Agency and the current powers, and limitations thereon, of the Successor Agency.

Pursuant to the Dissolution Act, the County has elected to serve as the Successor Agency. However, the Dissolution Act expressly clarifies that the County and the Successor Agency are separate public entities. None of the liabilities of the Former Agency are transferred to the County by the virtue of the County’s election to serve as the Successor Agency.

## **The Project Areas**

*Redevelopment Project Area No. 1.* The Redevelopment Plan for the Project Area was adopted by the County Board of Supervisors on December 23, 1986. The Project Area consists of four sub-area and represents approximately 4,651 total acres. See “REDEVELOPMENT PROJECT AREA NO. 1”

*Desert Communities Redevelopment Project.* The Redevelopment Plan for the Project Area was adopted by the County Board of Supervisors on December 23, 1986. The project Area consists of ten sub-area and represents approximately 29,668 acres, 27,590 acres of which produce tax increment in the Project Area. See “THE DESERT COMMUNITIES REDEVELOPMENT PROJECT.”

*Interstate 215 Corridor Redevelopment Project.* The Redevelopment Plan for the Project Area was adopted by the County Board of Supervisors on December 23, 1986. The Project Area consists of several sub-area and represents approximately 21,695 total acres. See “INTERSTATE 215 CORRIDOR REDEVELOPMENT PROJECT.”

Under the Dissolution Act, the Agency Bonds are secured by a pledge of, and payable from moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held and administered by the Office of the Auditor Controller of the County of Riverside (the “County Auditor-Controller”) with respect to the Successor Agency (the “Redevelopment Property Tax Trust Fund”). DISCUSSIONS HEREIN REGARDING TAX REVENUES NOW REFER TO THOSE MONEYS DEPOSITED BY THE COUNTY AUDITOR-CONTROLLER INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND EQUAL TO SUCH TAX REVENUES. The Dissolution Act authorizes the issuance of bonds by a successor agency, which bonds may be secured by a pledge of property tax increment with the same legal effect as if the Bonds had been issued prior to the Dissolution Act, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date. See “SECURITY FOR THE BONDS AND THE AGENCY BONDS – Tax Revenues Allocable to the Successor Agency.”

## **Authority for Issuance of the Bonds and the Agency Bonds**

The Bonds are being issued by the Authority pursuant to the provisions of the Act. The Agency Bonds are being issued by the Successor Agency pursuant to the provisions of the Dissolution Act and Article 11 (commencing with Section 53588) of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California.

The County of Riverside (the "County") has developed a program with the Authority to assist successor agencies within the County to refund tax increment obligations pursuant to the Dissolution Act in order to provide debt service savings to such successor agencies and to increase property tax revenues available for distribution to affected taxing entities.

Concurrently with the issuance of the Bonds, the Successor Agency will issue three separate series of its tax allocation refunding bonds designated as \$ \_\_\_\_\_\* Redevelopment Project Area No. 1 2015 Tax Allocation Refunding Bonds, Series A (the "2015 Series A Bonds") \$ \_\_\_\_\_\* Desert Communities Redevelopment Project Area 2015 Tax Allocation Refunding Bonds, Series D (the "2015 Series D Bonds") and \$ \_\_\_\_\_\* Interstate 215 Corridor Redevelopment Project Area, 2015 Tax Allocation Refunding Bonds, Series E (the "2015 Series E Bonds," and together with the Series A and Series D Bonds, the "Agency Bonds") pursuant to three separate Indentures of Trust each dated as of \_\_\_\_\_, 2015 (each an "Agency Bonds Indenture" and together, the "Agency Bonds Indentures"), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A. (the "Agency Trustee"), the proceeds of which will be used to refund all or a portion of certain bonds of the Successor Agency as more fully described herein. Proceeds of the Bonds will be used to purchase the Agency Bonds.

The Bonds will be special, limited obligations of the Authority, payable from and secured by Revenues (as defined herein) of the Authority, consisting primarily of payments on the Agency Bonds received by the Authority from the Successor Agency. The Agency Bonds will be payable from and secured by, designated property tax (formerly tax increment revenues) related to each of the Project Areas under the related Agency Bond Indenture, which will include, moneys deposited, from time to time, in the Redevelopment Property Tax Trust Fund ("RPTTF") as provided in the California Health and Safety Code as more fully described herein. Collectively, such tax increment revenues subject to a pledge under the Agency Bonds Indentures are referred to herein as "Tax Revenues." Payments under the Agency Bonds are calculated to be sufficient to permit the Authority to pay the principal of, premium, if any, and interest on the Bonds when due. The Agency Bonds will be registered in the name of the Trustee and Agency Bond payments will be paid to the Trustee as assignee of the Authority. See "SECURITY FOR THE BONDS AND THE AGENCY BONDS."

The issuance of the Agency Bonds was subject to approvals under the Dissolution Act, of the Successor Agency's Oversight Board, as described below, and the Department of Finance of the State of California (the "State Department of Finance"). All such approvals have been obtained. See "SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY."

The Oversight Board for the Successor Agency approved the issuance of the Agency Bonds by the Successor Agency by resolution adopted on \_\_\_\_\_, 2015. The Department of Finance of the State of California released its letter approving the Oversight Board Resolution approving the issuance of the Bonds on \_\_\_\_\_, 2015. See Appendix H "STATE DEPARTMENT OF FINANCE DETERMINATION LETTER APPROVING THE BONDS."

### **Terms of the Bonds**

The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof (the "Authorized Denominations"). The Bonds will be dated their date of delivery and are payable with respect to interest semiannually each April 1 and October 1, commencing on April 1, 2016.

The Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Owners of the Bonds. See APPENDIX E "DTC AND THE BOOK-ENTRY ONLY SYSTEM" attached hereto.

The Bonds are subject to redemption prior to maturity, as described herein. See “THE BONDS – Redemption of the Bonds” herein.

### **Security for the Bonds and the Agency Bonds**

The Bonds are secured by a lien on and pledge of Revenues made in the Indenture. Under the Indenture, “Revenues” means: (a) all amounts payable by the Successor Agency to the Authority or the Trustee pursuant to the Agency Bonds, other than (i) administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee and (ii) amounts payable to the United States of America pursuant to the Agency Bonds Indentures; (b) any proceeds 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 Indenture; (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture; and (d) any other investment income received under the Indenture.

The Bonds will be special obligations of the Authority, payable from and secured as to the payment of the principal thereof and the redemption premium, if any, and the interest thereon in accordance with their terms and the terms of the Indenture. The Bonds shall not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay principal of or redemption premium, if any, or interest on the Bonds except from Revenues. Neither the State nor any public agency (other than the Authority) nor any member of the Authority is obligated to pay the principal of or redemption premium, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal of or redemption premium, if any, or interest on the Bonds. The payment of the principal of or redemption premium, if any, or interest on the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Authority) or any member of the Authority.

Prior to the enactment of the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations. Tax Revenues (as defined under the caption “SECURITY FOR THE BONDS AND THE AGENCY BONDS – Tax Revenues”) consist of a portion of such incremental tax revenues.

**Agency Bonds.** The Agency Bonds will be special obligations of the Successor Agency and are payable, as to interest thereon and principal thereof, exclusively from the Tax Revenues under the Agency Bonds Indentures, and the Agency is not obligated to pay them except from such Tax Revenues. The Agency Bonds shall be also equally secured by the pledge and lien created with respect to the Agency Bonds by Section 34177.5(g) of the California Health and Safety Code on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. The Agency Bonds are payable as set forth in the Agency Bonds Indentures, are not a debt of the County, the State of California or any other political subdivision of the State, and neither the State, the County nor any of the State’s other political subdivisions is liable therefor, nor in any event shall the Agency Bonds be payable out of any funds or properties other than those of the Agency pledged therefor as provided in the Agency Bonds Indentures. The Agency Bonds have their own payment schedule which has been sized to pay debt service on the Bonds. APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS” attached hereto.

**Additional Debt.** The Authority may not issue or incur any obligations payable from Revenues. As more fully described under “SECURITY FOR THE BONDS AND THE AGENCY BONDS,” the Agency may

issue or incur additional obligations on a parity with the pledge of the Tax Revenues securing the applicable Agency Bonds only with respect to the refunding of the Bonds and provided that (i) debt service on such Parity Debt, as applicable, is lower than debt service on the obligations being refunded, and (ii) the final maturity of any such Parity Debt does not exceed the final maturity of the obligations being refunded. Nothing herein shall prevent the Successor Agency from issuing and selling Subordinate Debt. The Successor Agency will not be permitted to issue any obligations with a lien on Tax Revenues senior to the lien of the Agency Bonds.

***Outstanding Parity Bonds.*** As more fully described under “SECURITY FOR THE BONDS AND THE AGENCY BONDS,” the Agency has outstanding certain bonds issued by the Former Agency and Successor Agency that are payable on a parity basis with the Agency Bonds.

*Project Area No. 1.* The Former Agency issued its \$22,045,000, original principal amount of Redevelopment Project No. 1 2006 Tax Allocation Bonds, Series A (the “2006 Bonds”), currently outstanding in the aggregate principal amount of \$18,845,000 and the Successor Agency issued its \$19,620,000 Redevelopment Project Area No. 1 2014 Tax Allocation Refunding Bonds, Series A (the “2014 Bonds” and together with the 2006 Bonds, the “Project No. 1 Parity Bonds”). The 2006 and the 2014 Bonds are payable from Tax Revenues on a parity with the Bonds. Additionally, the Agency’s 2006 Bonds were purchased as part of the pooled financing by the Riverside County Public Financing Authority, being the \$144,075,000 2005 Tax Allocation Revenue Bonds and the \$33,820,000 2006 Tax Allocation Revenue Bonds.

*Desert Communities Redevelopment Project.* The Former Agency issued its \$71,725,000 original principal amount of Desert Communities Redevelopment Project 2006 Tax Allocation Bonds, Series D (the “2006 Bonds”), currently outstanding in the aggregate principal amount of \$60,650,000. The Former Agency has also issued its \$32,415,000 original principal amount of Desert Communities Redevelopment Project Area 2010 Tax Allocation Bonds, Series D (the “2010 Bonds”), currently outstanding in the aggregate principal amount of \$29,765,000. The Successor Agency issued its \$28,130,000 Desert Communities Redevelopment Project Area 2014 Tax Allocation Refunding Bonds, Series D (the “2014 Bonds” and together with the 2006 Bonds and the 2000 Bonds, the “Desert Communities Parity Bonds”). All of the 2006 Bonds, 2010 Bonds and 2014 Bonds are payable from Tax Revenues on a parity with the Desert Communities Bonds. Additionally, the 2006 Bonds were purchased as part of pooled financings by the Riverside County Public Financing Authority, being the \$144,075,000 2005 Tax Allocation Revenue Bonds and the \$169,720,000 2006 Tax Allocation Revenue Bonds.

*Interstate 215 Corridor.* The Former Agency issued its \$29,255,000 original principal amount of Interstate-215 Corridor Redevelopment Project 2006 Tax Allocation Bonds, Series E (the “2006 Bonds”), currently outstanding in the aggregate principal amount of \$24,980,000. The Former Agency has also issued its \$50,520,000 original principal amount of Interstate 215 Corridor Redevelopment Project Area 2010 Tax Allocation Bonds, Series E (the “2010 Bonds”) currently outstanding in the principal amount of \$48,070,000. Additionally, the Successor Agency issued its \$16,545,000 Interstate 215 Corridor Redevelopment Project Area 2014 Tax Allocation Refunding Bonds, Series D (the “2014 Bonds,” and together with the 2006 Bonds and the 2010 Bonds, the “Interstate 215 Corridor Parity Bonds.”). All of the 2006 Bonds and 2010 Bonds are payable from Tax Revenues on a parity with the Interstate 215 Corridor Bonds. The 2006 Bonds were purchased as part of pooled financings of the Riverside County Public Financing Authority, being the \$144,075,000 2005 Tax Allocation Revenue Bonds and the \$169,720,000 2006 Tax Allocation Revenue Bonds.

***Outstanding Subordinate Bonds.*** The Former Agency issued its \$12,579,720 Interstate 215 Corridor Redevelopment Project 2011 Second Lien Tax Allocation Bonds Series E (the “I-215 2011 Bonds”), of which \$11,739,720 remain outstanding which are payable on a basis subordinate to the payment of the Bonds and the Parity Bonds. Additionally, the Desert Communities Project Area has outstanding the amount of \$5,940,000 2011 Second Lien Tax Allocation Bonds Series D (the ‘DCPA 2011 Bonds’).

**Development Agreements.** The Former Agency has previously entered into two separate Development Agreements which provide for the payment of debt service to two separate community facilities districts and are payable on a senior basis to the payment of debt service on the Bonds. The annual obligation is approximately \$600,000. See “INTERSTATE 215 CORRIDOR REDEVELOPMENT PROJECT – Owner Participation Agreements,” herein.

### **Municipal Bond Insurance**

The Successor Agency has applied for a municipal bond insurance policy and a reserve fund surety bond and will decide whether to purchase any such policy and/or surety policy connection with the offering of the Bonds. Such information will be released prior to offering the Bonds and will be included in the Official Statement.

### **Professionals Involved in the Offering**

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as trustee with respect to the Bonds and the Agency Bonds under the Indenture and the Agency Bonds Indentures.

C. M. de Crinis & Co., Inc., Glendale, California, has acted as Financial Advisor to the Authority and the Agency in the structuring and presentation of the financing.

Urban Analytics, LLC, San Francisco, California, has acted as Fiscal Consultant to the Agency and has prepared an analysis of taxable values and tax increment revenues in the Project Areas. See APPENDIX A “REPORT OF FISCAL CONSULTANT” herein.

All proceedings in connection with the issuance of the Bonds and the Agency Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Best Best & Krieger LLP is acting as Disclosure Counsel. Certain legal matters will be passed on for the Authority and the Agency by the Office of the County of Riverside County Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, will be acting as counsel to the Underwriter. The fees and expenses of the Financial Advisor, Bond Counsel, Disclosure Counsel and Underwriter’s Counsel are contingent upon the sale and delivery of the Bonds.

### **Continuing Disclosure**

With respect to continuing disclosure, the Successor Agency will prepare and provide annual updates of the information contained in the tables included in this Official Statement with respect to property tax revenues, collections, any material delinquencies, principal taxpayers, and plan limit calculations and notices of enumerated events required under the Continuing Disclosure Agreement. The Authority will act as Dissemination Agent and will ensure that the annual reports and notices are filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”). See the caption “OTHER INFORMATION – Continuing Disclosure” and APPENDIX G “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

### **Reference to Underlying Documents**

Brief descriptions of the Bonds, the Indenture, the Agency Bonds Indenture, the Agency, the Authority, the County, the Successor Agency, the Project Area and other related information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of and references to all documents, statutes, reports and other instruments referred to herein are qualified in their entirety by reference to such document, statute, report or instrument, copies of which are all available for inspection at the offices of the Successor Agency. Certain capitalized terms used and not defined herein shall have the meaning given to those terms in APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS” attached hereto.

## PLAN OF FINANCE

The Bonds are being issued to provide funds to purchase the Agency Bonds. The Agency Bonds of each series are being issued (i) to refinance redevelopment activities with respect to the Project Areas, (ii) to satisfy the reserve requirement for the reserve account for the related Agency Bonds, and (iii) to pay costs of issuance of the Bonds and the Agency Bonds, which may include the cost of financial guaranty insurance premium for the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Former Agency previously issued its \$29,055,000 principal amount of Redevelopment Project Area No. 1 2005 Tax Allocation Bonds, Series A (the “2005 Series A Bonds”) currently outstanding in the amount of \$24,385,000. The Prior Bonds were issued pursuant to an Indenture of Trust (the “2005 Series A Indenture”) dated as of September 1, 2005, between the Former Agency and The Bank of New York Mellon Trust Company, N.A., as prior trustee (the “2005 Series A Trustee”).

The Former Agency previously issued its \$16,995,000 original principal amount of Desert Communities Redevelopment Project 2005 Tax Allocation Bonds, Series D (the “2005 Series D Bonds”) currently outstanding in the amount of \$14,440,000. The 2005 Series D Bonds were issued pursuant to an Indenture of Trust (the “2005 Series D Indenture”) dated as of September 1, 2005, between the Former Agency and The Bank of New York Mellon Trust Company, N.A., as prior trustee (the “2005 Series D Trustee”).

The Former Agency previously issued its \$25,420,000 original principal amount of Interstate 215 Corridor Redevelopment Project 2005 Tax Allocation Bonds, Series E (the “2005 Series E Bonds,” and together with the 2005 Series A Bonds and the 2005 Series D Bonds, the “Prior Bonds”) currently outstanding in the amount of \$20,930,000. The 2005 Series E Bonds were issued pursuant to an Indenture of Trust (the “2005 Series E Indenture” and together with the 2005 Series A Indenture and the 2005 Series D Indenture, the “Prior Indentures”) dated as of September 1, 2005, between the Former Agency and The Bank of New York Mellon Trust Company, N.A., as prior trustee (the “2005 Series E Trustee,” and together with the 2005 Series A Trustee and the 2005 Series D Trustee, the “Prior Trustee”).

On the date of issuance of the Agency Bonds, a portion of the proceeds will be transferred to the Prior Trustee for deposit into the redemption fund established for each series of the Prior Bonds, under certain Refunding Instructions dated the date of Issuance of the Bonds (the “Refunding Instructions”) delivered by the Successor Agency to the Agency Trustee. The amount deposited in the redemption fund for the Prior Bonds, together with other available moneys, will be held uninvested, or invested in certain federal securities and irrevocably pledged for the redemption of the Prior Bonds on \_\_\_\_\_, 2015.

The amounts held and invested by the Prior Trustee for the respective Prior Bonds in the Redemption Fund are pledged solely to the payment of amounts due and payable by the Agency under the Prior Indentures. Neither the funds deposited in the Redemption Fund for the Prior Bonds nor the interest on the invested funds will be available for the payment of debt service on the Agency Bonds or the Bonds.

See “ESTIMATED SOURCES AND USES OF FUNDS” below. See also “VERIFICATION OF MATHEMATICAL ACCURACY” below.



## ESTIMATED SOURCES AND USES OF FUNDS

Set forth below are the estimated sources and uses of proceeds of the Authority Bonds.

### Sources:

Par Amount of Bonds  
Net Original Issue Premium (Discount)  
TOTAL SOURCES

### Uses:

Deposit to Bond Purchase Fund:  
Costs of Issuance<sup>(1)</sup>  
TOTAL USES:

Set forth below are the estimated sources and uses of proceeds of the Agency Bonds.

### 2015 Series A   2015 Series D   2015 Series E

### Sources:

Par Amount of Agency Bonds  
Net Original Issue Premium (Discount)  
Less: Costs of Issuance  
Plus funds on hand for Prior Bonds  
TOTAL SOURCES:

### Uses:

Deposit to Redemption Funds  
TOTAL USES:

<sup>(1)</sup> Includes Underwriter's Discount, legal fees, printing, rating agency fees and expenses, fees of the Financial Advisor, fees of the Fiscal Consultant, municipal bond insurance premiums, Reserve Policy premiums and other issuance costs of the Bonds and the Agency Bonds.

## ANNUAL DEBT SERVICE REQUIREMENTS OF THE BONDS

The following table provides the annual debt service requirements of the Bonds.

| <b>Year Ending<br/><u>(October 1)</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Total</u></b> |
|---|-------------------------|------------------------|---------------------|
|---|-------------------------|------------------------|---------------------|

**TABLE 1**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Aggregate**  
**Estimated Debt Service Coverage**  
**Fiscal Years 2015-16 through 2036-37**  
**(In Thousands)**

| <b><u>Fiscal Year</u></b> <sup>(1)</sup> | <b><u>2015A (PA-1)</u></b><br><b><u>Debt Service*</u></b> | <b><u>2015A (I-215)</u></b><br><b><u>Debt Service*</u></b> | <b><u>2015A (DC)</u></b><br><b><u>Debt Service*</u></b> | <b><u>Total 2015A</u></b><br><b><u>Debt Service*</u></b> | <b><u>2015A Debt</u></b><br><b><u>Service</u></b><br><b><u>Coverage*</u></b> |
|--|---|--|---|--|--|
| 2015/16                                  | \$1,675,450   | \$1,504,350  | \$ 968,200  | \$4,148,000  | 1.00x  |
| 2016/17                                  | 1,677,300   | 1,496,800  | 968,300   | 4,142,400  | 1.00x  |
| 2017/18                                  | 1,672,300   | 1,503,000  | 969,700   | 4,145,000  | 1.00x  |
| 2018/19                                  | 1,666,500   | 1,498,000  | 970,500   | 4,135,000  | 1.00x  |
| 2019/20                                  | 1,668,250   | 1,495,750  | 967,000   | 4,131,000  | 1.00x  |
| 2020/21                                  | 1,668,250   | 1,512,000  | 962,750   | 4,143,000  | 1.00x  |
| 2021/22                                  | 1,671,500   | 1,500,750  | 962,750   | 4,135,000  | 1.00x  |
| 2022/23                                  | 1,672,750   | 1,498,250  | 961,750   | 4,132,750  | 1.00x  |
| 2023/24                                  | 1,677,000   | 1,499,000  | 964,750   | 4,140,750  | 1.00x  |
| 2024/25                                  | 1,674,000   | 1,492,750  | 961,500   | 4,128,250  | 1.00x  |
| 2025/26                                  | 1,674,000   | 1,494,750  | 967,250   | 4,136,000  | 1.00x  |
| 2026/27                                  | 1,681,750   | 1,494,500  | 966,500   | 4,142,750  | 1.00x  |
| 2027/28                                  | 1,676,750   | 1,487,000  | 964,500   | 4,128,250  | 1.00x  |
| 2028/29                                  | 1,669,500   | 1,492,500  | 966,250   | 4,128,250  | 1.00x  |
| 2029/30                                  | 1,670,000   | 1,490,250  | 966,500   | 4,126,750  | 1.00x  |
| 2030/31                                  | 1,672,750   | 1,490,500  | 970,250   | 4,133,500  | 1.00x  |
| 2031/32                                  | 1,677,500   | 1,488,000  | 967,250   | 4,132,750  | 1.00x  |
| 2032/33                                  | 1,674,000   | 1,482,750  | 967,750   | 4,124,500  | 1.00x  |
| 2033/34                                  | 1,567,500   | 894,750  | 1,166,500   | 3,628,750  | 1.00x  |
| 2034/35                                  | 1,563,000   | 898,000  | 1,163,500   | 3,624,500  | 1.00x  |
| 2035/36                                  | 1,565,500   | 904,250  | 1,163,250   | 3,633,000  | 1.00x  |
| 2036/37                                  | 1,564,500   | 908,250  | 1,165,500   | 3,638,250  | 1.00x  |

(1) See Table 19 for details.

(2) Tax Increment shown for projecting coverage relates only to the Project Area. However, all amounts deposited in the RPTTF are available to pay debt service on the Bonds after all other debt service obligations and senior obligations are satisfied. See "SECURITY FOR THE BONDS – Real Property Tax Trust Fund," and "– Security for the Bonds."

Source: Urban Analytics, LLC.

\* Preliminary, subject to change.

## THE BONDS

### General

The Bonds will be dated as of the date of original delivery (the “Closing Date”), will bear interest at the rates per annum and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds will be issued in fully registered form, without coupons, in the denomination of \$5,000 each or any integral multiple thereof. Interest on the Bonds is payable semiannually on April 1 and October 1 of each year, commencing April 1, 2016 (each an “Interest Payment Date”). Principal of and premium, if any, on the Bonds is payable upon the surrender thereof at the corporate trust office of the Trustee in Los Angeles, California. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the registered owners as of the fifteenth day of the month preceding the Interest Payment Date (the “Record Date”). At the written request of an Owner of the Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, interest on the applicable Bonds shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such written request (any such written request shall remain in effect until rescinded in writing by the Owner). The principal of and premium (if any) on the Bonds shall be payable in lawful money of the United States of America by check or draft of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

Notwithstanding the foregoing, while the Bonds are held in the book-entry only system of DTC, all such payments of principal, interest and premium, if any, will be made to Cede & Co. as the registered owner of the Bonds, for subsequent disbursement to Participants and beneficial owners. See APPENDIX E – “DTC AND THE BOOK-ENTRY SYSTEM.”

### Redemption of the Bonds

***Optional Redemption.*** The Bonds maturing on or before October 1, 20\_\_ are not subject to optional redemption prior to maturity. The Bonds maturing on or after October 1, 20\_\_ may be called before maturity and redeemed at the option of the Authority, on any date on or after October 1, 20\_\_, as a whole or in part, by such maturities as shall be determined by the Authority and by lot within a maturity from any available service of funds at a redemption price equal to the principle amount of Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

***Mandatory Sinking Fund Redemption.*** The Bonds maturing October 1, 20\_\_ and October 1, 20\_\_ shall also be subject to redemption or prior purchase in part by lot, from Sinking Account payments made by the Authority at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without aggregate respective principal amounts and on the respective dates as set forth in the following tables; provided, however, that if some but not all of the Bonds have been redeemed at the option of the Authority, the total amount of all future Sinking Account payments payable with respect to the maturity redeemed shall be reduced by the aggregate principal amount of the maturity so redeemed, to be allocated among such Sinking Account payments in integral multiples of \$5,000 as determined by the Authority.

The Term Bonds maturing on October 1, 20\_\_, October 1, 20\_\_ and October 1, 20\_\_ are subject to mandatory sinking fund redemption in part by a lot 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 on October 1, in the respective years as set forth in the following tables; provided, however, that in lieu of Agency pursuant to the Successor Agency Bonds Indenture:

Term Bonds Maturing October 1, 20\_\_

Sinking Account  
Redemption Date  
(October 1)

Principal Amount  
To be Redeemed  
or Purchased

(Maturity)

Term Bond Maturing October, 20\_\_

Sinking Account  
Redemption Date  
(October 1)

Principal Amount  
To be Redeemed  
or Purchased

(Maturity)

Term Bonds Maturing October, 20\_\_

Sinking Account  
Redemption Date  
(October 1)

Principal Amount  
To be Redeemed  
or Purchased

(Maturity)

In lieu of redemption of the Term Bonds pursuant to this subsection (b), proceeds of the purchase by the Successor Agency of Agency Bonds or other available moneys shall be used by the Authority or by the Trustee, upon the Request of the Authority received prior to the selection of Bonds for redemption, for the purchase of the Bonds, at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Authority may in its discretion determine. The par amount of any Bonds so purchased by or upon the Request of the Authority in any twelve-month period ending on August 1 in any year shall be credited towards and shall reduce the par amount of the Bonds required to be redeemed on October 1 in such year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said August 1.

***Mandatory Redemption Upon Acceleration of Agency Bonds.*** The Bonds shall also be subject to mandatory redemption in whole or in part among maturities on a pro rata basis and by lot within a maturity, on any date, from amounts credited towards the payment of principal of any Agency Bonds coming due and payable solely by reason of acceleration of such Agency Bonds pursuant to the Agency Bonds Indenture, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, together with accrued interest thereon to the redemption date. The Bonds shall be subject to such redemption solely from amounts credited towards the payment of principal of any Agency Bonds which has become due and payable by reason of acceleration upon an Event of Default (as defined in the applicable Agency Bonds Indenture), and shall not be subject to redemption from any amounts credited towards the payment of matured principal which has become due and payable.

**Notice of Redemption; Rescission**

The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the Insurer, if applicable, and to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories (as defined

under the Indenture) and to one or more Information Services (as defined under the Indenture), at least thirty (30) but not more than sixty (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, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds 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 will not be or 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 under the Indenture. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

### **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 the 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. All Bonds redeemed or purchased pursuant to the Indenture shall be canceled by the Trustee.

## SECURITY FOR THE BONDS AND THE AGENCY BONDS

### Special Obligations

The Bonds will be special obligations of the Authority, payable from and secured as to the payment of the principal thereof and the redemption premium, if any, and the interest thereon in accordance with their terms and the terms of the Indenture, solely from Revenues and funds on deposit in certain funds and accounts established under the Indenture. The Bonds shall not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay principal of or redemption premium, if any, or interest on the Bonds except from the Revenues. Neither the State nor any public agency (other than the Authority) nor any member of the Authority is obligated to pay the principal of or redemption premium, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal of or redemption premium, if any, or interest on the Bonds. The payment of the principal of or redemption premium, if any, or interest on the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Authority) or any member of the Authority.

The Agency Bonds will be special obligations of the Agency and are payable, as to interest thereon and principal thereof, exclusively from the Tax Revenues, and funds on deposit in certain funds and account established under the Agency Bonds Indentures, and the Agency is not obligated to pay such principal and interest except from such Tax Revenues. The Agency Bonds shall be also equally secured by the pledge and lien created with respect to the Agency Bonds by Section 34177.5(g) of the California Health and Safety Code on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. The Agency Bonds are payable as set forth in the Agency Bonds Indentures, are not a debt of the County, the State of California or any other political subdivision of the State, and neither the State, the County nor any of the State's other political subdivisions are liable therefor, nor in any event shall the Agency Bonds be payable out of any funds or properties other than those of the Agency pledged therefor as provided in the Agency Bonds Indentures. The Agency Bonds have their own payment schedule which have been sized in the aggregate to pay debt service on the Bonds.

### Tax Increment Financing Generally

Prior to the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This financing mechanism provides that the taxable valuation of the property within a project area on the property tax roll last equalized prior to the effective date of the ordinance that adopts the redevelopment plan becomes the base year valuation. Thereafter, the increase in taxable valuation becomes the increment upon which taxes are levied and allocated to the applicable agency. Redevelopment agencies have no authority to levy property taxes, but must instead look to this allocation of tax increment revenues to finance their activities.

Under the Redevelopment Law and Section 16 of Article XVI of the State Constitution, taxes on all taxable property in a project area levied by or for the benefit of the State, any city, county, city and county, district or other public corporation (the "Taxing Agencies") when collected are divided as follows:

(i) An amount each year equal to the amount that would have been produced by the then current tax rates applied to the assessed valuation of such property within the project area last equalized prior to the effective date of the ordinance approving the redevelopment plan, plus the portion of the levied taxes in excess of the foregoing amount sufficient to pay debt service on any voter-approved bonded indebtedness of the respective Taxing Agencies incurred for the acquisition or improvement of real property and approved on or after January 1, 1989, is paid into the funds of the respective Taxing Agencies; and

(ii) That portion of the levied taxes in excess of the amount described in paragraph (i) is deposited into a special fund of the applicable redevelopment agency to pay the principal of and interest on loans, moneys

advanced to, or indebtedness incurred by, such agency to finance or refinance activities in or related to such project area.

That portion of the levied taxes described in paragraph (ii) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the “on and after January 1, 1989” reference from paragraph (i) above.

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

Prior to the Dissolution Act, the Redevelopment Law required generally that redevelopment agencies set aside in a low and moderate income housing fund (the “Low and Moderate Income Housing Fund”) not less than 20% of all tax revenues allocated to agencies from redevelopment project areas adopted after December 31, 1976, for authorized housing purposes. Prior to the passage of the Dissolution Act, the Former Agency issued several series of bonds (the “Housing Bonds”) secured by the Low and Moderate Income Housing Fund. This 20% set-aside requirement was eliminated by the Dissolution Act; however, the Housing Bonds have a prior lien on such amounts required to pay debt service on the Housing Bonds. The Agency had, as of July 1, 2015, \$162,548,028 in total principal outstanding in debt secured by the Low and Moderate Income Housing Fund. For purposes of the Tax Revenue projection, the Housing Bonds’ debt service has been allocated proportionately to each of the Successor Agency’s project areas based on the proportionate share of each project area’s tax increment. See, “SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY – Allocation of Former Low and Moderate Income Housing Set-Aside.” Excess amounts that would otherwise have remained in the Low and Moderate Income Housing Fund are available as Tax Revenues.

### **Assembly Bill 1290**

Assembly Bill 1290 (being Chapter 942, Statutes of 1993) (“AB 1290”) was adopted by the California Legislature and became law on January 1, 1994. The enactment of AB 1290 created several significant changes in the Redevelopment Law, including time limitations for redevelopment agencies to incur and repay loans, advances and indebtedness that are repayable from tax increment revenues. See the discussions relating to each project Area for a discussion of the time limitations.

AB 1290 also established a statutory formula for sharing tax increment for project areas established, or amended in certain respects, on or after January 1, 1994, which applies to tax increment revenues net of the housing set-aside. The first 25% of net tax increment generated by the increase in assessed value after the establishment of the project area or the effective date of the amendment is required to be paid to affected taxing entities. In addition, beginning in the 11th year of collecting tax increment, an additional 21% of the increment generated by increases in assessed value after the tenth year must be so paid. Finally, beginning in the 31st year of collecting tax increment, an additional 14% of the increment generated by increases in assessed value after the 30th year must be so paid. Under the Redevelopment Law, the County is considered a taxing entity and may elect to receive its share of the required tier 1 payments. The County may not, however, receive any share of the tier 2 and tier 3 payments. The County has elected to receive its share of all tier 1 payment amounts. See “SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY – Pass-Through Agreements,” and “– Statutory Tax Sharing Payments.”

The tax sharing payments described above are required to be made prior to payment of debt service on bonds or loans secured by tax increment from project areas which are subject to AB 1290. However, the provisions of Section 33607.5(e) of the Redevelopment Law and Section 34177.5(c) of the Dissolution Act set forth a process pursuant to which such pass-through payments may be subordinated to debt service on newly-issued bonds or loans, including the Agency Bonds. The Successor Agency has taken action to subordinate the pass-through payments of the Agency Bonds per the provisions of Section 34177.5(c) pursuant to letters to the taxing agencies.



A full disclosure of existing pass-through obligations of the Successor Agency is discussed herein under “SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY Pass-Through Agreements,” and “–Statutory Tax Sharing Payments.”

### **Redevelopment Property Tax Trust Fund**

The Dissolution Act authorizes bonds, including the Agency Bonds, to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described below.

### **Allocation of Taxes Subsequent to the Dissolution Act**

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of ABX1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act (the “Redevelopment Property Tax Trust Fund”). The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of ABX1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date so that property tax revenues (formerly tax increment revenues) are paid to the Successor Agency in such amounts and on such dates to ensure the timely payment of debt service on the Agency Bonds from Tax Revenues and the Housing Bonds from amounts formerly required to be deposited in the Low and Moderate Income Housing Fund. Pursuant to the Dissolution Act, the Successor Agency has covenanted to take all actions necessary to ensure that the Agency Bonds will be included in the Successor Agency’s Recognized Obligation Payment Schedules as prepared from time to time under the Dissolution Act.

Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll within the Project Areas, to the extent they constitute tax increment revenues, less administrative costs, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Successor Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. See “–Recognized Obligation Payment Schedule” below.

### **Recognized Obligation Payment Schedule**

The Dissolution Act requires that, not less than 90 days prior to each January 2 and June 1, successor agencies prepare, and submit to the successor agency’s oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule (the “Recognized Obligation Payment Schedule” or “ROPS”) pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

As defined in the Dissolution Act, “enforceable obligation” includes bonds, including the required debt service, reserve set-asides, and any other payments required under an indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as

loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and, under certain circumstances, amounts borrowed from the successor agency's low and moderate income housing fund.

A reserve may be included on the ROPS and held by the Successor Agency when required by a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following six-month period as provided in the Dissolution Act.

In the Agency Bond Indentures, the Successor Agency has covenanted to comply with the Redevelopment Law and the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Successor Agency with its covenants under the Agency Bond Indentures. Further, it promises to take all actions required under the Dissolution Act to include scheduled debt service on the Agency Bonds and any Parity Debt, all amounts required to be deposited into the Special Fund pursuant to the Agency Bond Indentures, as well as any amount required under the Agency Bond Indentures to replenish the respective Reserve Account and amounts required to reimburse the Insurer, in the ROPS for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 all amounts required to be deposited in the Special Fund and in the Parity Debt Special Funds (pursuant to the Indenture) which amounts will be used to pay debt service on the Agency Bonds, the Parity Bonds and to pay any reimbursement to the Insurer. These actions will include, without limitation, placing on the periodic ROPS for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve for the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to comply with the Agency Bond Indentures. The Successor Agency has also covenanted in the Agency Bond Indentures to calculate the amount of Tax Revenues received during each six-month period, as described above, to ensure that Tax Revenues are properly credited to and deposited in the Retirement Fund and the Special Fund, as required by the Agency Bond Indentures.

The Dissolution Act requires the State Department of Finance to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the ROPS is submitted. Within five business days of the determination by the State Department of Finance, the Successor Agency may request additional review by the State Department of Finance and an opportunity to meet and confer on disputed items, if any. The State Department of Finance will notify the Successor Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. The State Department of Finance has on occasion rejected items on the Successor Agency's ROPS for certain obligations the DOF considered to be not documented. However, none of the rejected items related to bond debt service or enforceable obligations related to the repayment of bonds.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of ABX1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's ROPS.

Additionally, if an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of revenues is expected to occur over time, the Dissolution Act provides that a successor agency may petition the State Department of Finance to provide written confirmation that its determination of such enforceable obligation as approved in a ROPS is final and conclusive, and reflects the Department's approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation

is granted by the State Department of Finance, then the State Department of Finance's review of such payments in each future ROPS will be limited to confirming that they are required by the prior enforceable obligation.

The Successor Agency's collection of Tax Revenues in the Project Areas is assumed to be subject to limitations of the total tax increment collected by the Successor Agency over the life of the Redevelopment Plan. See the discussion with respect to each Project Area for information regarding plan limitations.

The Successor Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate could reduce the amount of tax increment revenues that would otherwise be available to pay debt service on the Agency Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "BOND OWNERS' RISKS" and "LIMITATIONS ON TAX REVENUES."

Section 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the "Statutory Pass-Through Amounts"). The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for Statutory Pass-Through Amounts and any tax sharing agreements entered before January 1, 1994, to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund each January 2 and June 1, unless (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded by the Successor Agency (see below), (ii) the Successor Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency's enforceable obligations, pass-through payments, and the Successor Agency's administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements stated in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency's enforceable obligations, pass-through payments, and the Successor Agency's administrative cost allowance (as defined in the Dissolution Act). If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for the administrative costs allowance for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed for contractual or statutory tax sharing amounts, but only to the extent such payments are subordinate to the payment of debt service on enforceable obligations, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

The Successor Agency believes but cannot guarantee that this process prescribed by the Dissolution Act of administering the tax increment revenues and the statutory tax sharing amounts will effectively result in adequate Tax Revenues for the payment of principal and interest on the Bonds when due. See "Recognized Obligation Payment Schedule." See the projected debt service coverage for each series of the Agency Bonds herein for additional information regarding the Statutory Tax Sharing Amounts applicable to the Successor Agency and the revenues derived from the related Project Area. The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in

any six-month period to pay the principal of and interest on the Agency Bonds. See “BOND OWNERS’ RISKS.”

The Agency Bonds are not a debt of the County, the State or any of its political subdivisions (except the Successor Agency), and none of the County, the State or any of its political subdivisions (except the Successor Agency) is liable therefor. The Agency Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

### **Proposed Legislative Changes to Dissolution Act**

On January 9, 2015, the Governor’s office released its 2015-16 Governor’s Budget, which was enacted on June 19, 2015. A corresponding budget trailer bill (“Proposed AB 113”) relating to the discussion below remains pending before the state legislature and must be approved before the September 11, 2015 close of the legislative session and then signed by the Governor to become effective. The Proposed AB 113 initiates the transition away from the State’s detailed role in the redevelopment agency dissolution process. The objectives of the Proposed AB 113 are to:

- Minimize the potential erosion of property tax residuals being returned to the local affected taxing entities (both in the short and long term) while transitioning the State from detailed review of enforceable obligations to a streamlined process;
- Clarify and refine various provisions in the statute to eliminate ambiguity, where appropriate, and make the statute operate more successfully for all parties without rewarding previous questionable behavior; and
- Maintain the expeditious wind-down of former redevelopment agency activities while adding new incentives for substantial compliance with the law.

The Proposed AB 113 includes the following process changes and clarifications to the Dissolution Act:

- Transition all successor agencies from a biannual Recognized Obligation Payment Schedule process to an annual Recognized Obligation Payment Schedule process beginning July 1, 2016, when the successor agencies transition to a countywide oversight board.
- Establish a “Last and Final” Recognized Obligation Payment Schedule process beginning September 2015. The Last and Final Recognized Obligation Payment Schedule will be available only to successor agencies that have a finding of completion, are in agreement with the State Department of Finance on what items qualify for payment, and meet other specified conditions. If approved by the State Department of Finance, the Last and Final Recognized Obligation Payment Schedule will be binding on all parties and the successor agency will no longer submit a Recognized Obligation Payment Schedule to the State Department of Finance or the oversight board. The county auditor-controller will remit the authorized funds to the successor agency in accordance with the approved Last and Final Recognized Obligation Payment Schedule until each remaining enforceable obligation has been fully paid.
- Former tax increment caps and redevelopment agency plan expirations do not apply for the purposes of paying approved enforceable obligations. One of the core principles of the dissolution process is that approved enforceable obligations will be paid. This clarification will confirm that funding will continue to flow until all approved enforceable obligations have been paid.
- Reentered agreements that are not for the purpose of providing administrative support activities are not authorized or enforceable.

- Litigation expenses associated with challenging dissolution determinations are not separate enforceable obligations, but rather are part of the administrative costs of the successor agency.
- Contractual and statutory pass-through payments end upon termination of all of a successor agency's enforceable obligations.
- The State Department of Finance is exempt, as provided in existing law, from the regulatory process.
- County auditor-controllers' offices shall serve as staff for countywide oversight boards.
- Successor agencies that enter into a written payment agreement with the State Department of Finance to remit the unencumbered cash assets of redevelopment agencies to the county auditor-controller may receive a finding of completion.
- Successor agencies with a finding of completion may expend a portion of proceeds of bonds issued in 2011 which are currently frozen.
- Any pension or State Water Project override revenues pledged to debt service must be used for that purpose, with certain limitations, which provision if adopted would clarify the County's interpretation of Section 34183(a)(1) of the Dissolution Act.
- Any agreement between the former redevelopment agencies and its sponsoring entity that relate to state highway infrastructure improvements will be allowed as an enforceable obligation.
- A sponsoring entity can loan money to a successor agency for litigation expenses associated with challenging dissolution decisions and those loaned amounts may be repaid as an enforceable obligation if the litigation is successful.
- Reentered agreements entered into after the passage of AB 1484 are unauthorized and unenforceable, unless they were for the purpose of providing administrative support activities.

It is assumed that the Proposed AB 113, will not amend the process for the distribution of the RPTTF moneys twice annually on January 2 and June 1 of each year. If that is the case, even with the change in the preparation of the Recognized Obligation Payment Schedule from twice a year to once a year, the Successor Agency will continue to set aside Pledged Tax Revenues and pay debt service on the Bonds in amounts described above.

For example, from the RPTTF distribution on January 2, the Successor Agency will pay the April 1 interest payment on the Bonds, and reserve an amount equal to half the October 1 principal payment on the Bonds and from the RPTTF distribution on June 1, the Successor Agency will pay the October 1 debt service on the Bonds.

The Successor Agency expects, but cannot guarantee, that the processes for funding of enforceable obligations prescribed by any new legislative change in the Dissolution Act will not interfere with its administration of the Pledged Tax Revenues in accordance with the Indenture and will effectively result in adequate Pledged Tax Revenues for the timely payment of principal of and interest on the Bonds when due.

## **Pledge of Revenues**

***Pledge Under the Indenture.*** Pursuant to the Indenture, the Revenues are pledged to the payment of the debt service on the Bonds, together with funds on deposit in the funds and accounts established by the Indenture. The Indenture defines "Revenues" to mean (a) all amounts payable by the Agency to the Authority or the

Trustee pursuant to the Agency Bonds, other than (i) administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee and (ii) arbitrage rebate amounts payable to the United States of America; (b) any proceeds 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 thereunder; (c) investment income with respect to any moneys held by the Trustee in funds and accounts established thereunder; and (d) any other investment income received under the Indenture. Upon a default of the Bonds, the Trustee may be paid its expenses from Revenues on a basis prior to the payment of debt service on the Bonds. See APPENDIX D “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS.”

Subject to the provisions of the Indenture, the Bonds shall be secured by a first lien on and pledge of all of the Revenues and a pledge of all of the moneys in the Revenue Fund, the Interest Account and the Principal Account, including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such moneys without priority for number, date of Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any thereof shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Agency Bonds and the Agency Bonds Indenture. The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall, with the consent or at the direction of the Issuer and subject to the provisions of the Indenture, be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the Successor Agency under the Agency Bonds.

All Revenues 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 the Indenture.

Three (3) Business Days prior to each Interest Payment Date, or as soon thereafter as the Trustee receives payments of debt service on the Agency Bonds, the Trustee shall transfer from the Revenue Fund 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:

***Interest Account.*** Not less than three (3) Business Days prior to each Interest Payment Date, or as soon thereafter as the Trustee receives payments of debt service on the Agency Bonds, 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 Successor Agency to be used for any lawful purpose of the Successor Agency.

***Principal Account.*** Not less than three (3) Business Days prior to each Interest Payment Date, or as soon thereafter as the Trustee receives debt service on the Agency Bonds, 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 amount of the Bonds coming due and payable on such Interest Payment Date, or the redemption price of the Bonds required to be redeemed on such Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Serial Bonds at the maturity thereof, or (ii) paying the redemption price of Bonds upon the redemption thereof. 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 Successor Agency to be used for any lawful purpose of the Successor Agency.

## **Pledge of Tax Revenues**

***The Indenture.*** Under the Agency Bond Indentures, the Tax Revenues (as defined below) and certain other amounts pledged thereunder allocated and paid to the Agency are pledged to the payment of debt service on the Agency Bonds and Parity Debt (subject to the lien of the tax-sharing agreements), together with moneys on deposit in the funds and accounts. See Tables 11, 20 and 29, herein showing the projected Tax Revenues for each Project Area, and debt service coverage on the Agency Bonds.

“Tax Revenues” means all taxes annually allocated within the Plan Limitations and paid to the Successor Agency with respect to the related Project Area, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Successor Agency with respect to personal property within the Project Area pursuant to Section 16110 et seq. as of the California Government Code); and including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the Agency Bonds and any Parity Debt (including applicable reserves and financing costs) used to finance or refinance the increasing or improving of the supply of low and moderate income housing within or of benefit to the Project Area, but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund and excluding investment earnings. Pursuant to the Dissolution Act, a portion of such taxes are no longer required to be deposited into the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Redevelopment Law (the “Prior Housing Deposit”), and, accordingly, such taxes shall exclude only the amount of the Prior Housing Deposit required to pay the Pro Rata Share of Housing Debt Service. Tax Revenues shall not include amounts payable by the Successor Agency under agreements entered into pursuant to Section 33401 of the Redevelopment Law, and amounts payable by the Successor Agency pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law (except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds, including any Parity Debt).

“Pro Rata Share of Housing Debt Service” means an amount equal to the percentage of debt service on Housing Bonds in the then current Bond Year, calculated by dividing the gross amount of taxes collected by the County for the Successor Agency pursuant to Section 34183 of the Dissolution Act and the Redevelopment Plan with respect to the Project Area in the last completed Fiscal Year by the sum of (i) the gross amount of taxes collected by the County for the Successor Agency pursuant to Section 34183 of the Dissolution Act and the Redevelopment Plan with respect to the Project Area in the last completed Fiscal Year, plus (ii) the gross amount of taxes collected by the County for the Successor Agency pursuant to Section 34183 of the Dissolution Act and the redevelopment plans for all of the other project areas of the Former Agency, which project areas include Project Area No. 1, the Mid-County Redevelopment Project Area, the Jurupa Valley Redevelopment Project Area, the Desert Communities Redevelopment Project Area, and the Interstate 215 Corridor Redevelopment Project Area, in the last completed Fiscal Year. For the purpose of this calculation, the gross

amount of taxes collected refers to taxes deposited by the County into the Redevelopment Property Tax Trust Fund prior to deducting pass through payment obligations or administrative fees charged by the County or the State of California.

“Housing Bonds” means, collectively, the following: (i) the Former Agency’s Redevelopment Agency for the County of Riverside 2004 Taxable Tax Allocation Housing Bonds, Series A-T, (ii) the Former Agency’s 2005 Tax Allocation Housing Refunding Bonds, Series A, (iii) the Former Agency’s 2010 Tax Allocation Housing Bonds, Series A, (iv) the Former Agency’s 2010 Taxable Tax Allocation Housing Bonds, Series A-T, (v) the Former Agency’s 2011 Tax Allocation Housing Bonds, Series A, and (vi) the Former Agency’s 2011 Taxable Tax Allocation Housing Bonds, Series A-T, (vii) the Successor Agency’s 2014 Tax Allocation Housing Refunding Bonds, Series A, and (viii) any bonds issued to refund such bonds similarly secured by amounts which prior to the adoption of the Dissolution Act were required to be deposited into the Low and Moderate Income Housing Fund of the Former Agency pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Law.

The Agency Bonds and all Parity Debt, shall be secured by a pledge of, security interest in and lien on all of the Tax Revenues and all of the moneys on deposit in the Special Fund, as more fully described below under the caption “*Funds and Accounts - Special Fund; Deposit of Tax Revenues.*” In addition, the Bonds and all Parity Debt, shall, subject to certain provisions of the related Agency Indenture, be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Redemption Account and the Reserve Account. Such pledge, security interest in and lien shall be for the equal security of the Outstanding Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery.

The Agency Bonds shall be also equally secured by the pledge and lien created with respect to the bonds of other project areas by Section 34177.5(g) of the California Health and Safety Code on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, provided, however, that such pledge and lien shall only be with respect to the amounts on deposit in the Redevelopment Property Tax Trust Fund after amounts on deposit therein have been set aside and reserved, in the manner required in the applicable indentures or other relevant documents, to pay (i) debt service on the other bonds of the Former Agency and the Successor Agency, including bonds issued for the benefit of other project areas of the Former Agency and bonds secured by the amounts required, prior to the Dissolution Act, to be deposited in the former low and moderate income housing fund of the Former Agency and (ii) amounts due pursuant to tax sharing agreements, owner participation agreements, development agreements and other similar agreements that are senior to the payment of the debt service on the Bonds and the bonds described in (i) above. For the avoidance of doubt, the Agency Bonds of each series are secured by the pledge and lien created with respect to the Agency Bonds by Section 34177.5(g) of the California Health and Safety Code on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund to the extent set forth in the foregoing sentence on a parity basis with all refunding bonds issued by the Successor Agency, unless otherwise specified in connection with the issuance of such refunding bonds. Except for the Tax Revenues and such moneys, no funds of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Agency Bonds. See “Successor Agency to the Redevelopment Agency for the County of Riverside Other Project Areas,” herein.

In consideration of the acceptance of the Agency Bonds by those who shall hold the same from time to time, the Agency Bond Indentures shall be deemed to be and shall constitute a contract between the Successor Agency and the Owners from time to time of the Agency Bonds, and the covenants and agreements set forth in the Agency Bond Indentures to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Agency Bonds without preference, priority or distinction as to security or otherwise of any of the Agency Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Agency Bond Indentures.

***Tax Sharing Agreements and Statutory Tax Sharing.*** The Agency has entered into tax-sharing agreements with taxing entities and school districts with respect to the portions of the Project Area that were



adopted prior to 1994 (the “Pass Through Agreements”). See APPENDIX A “REPORT OF FISCAL CONSULTANT – Fiscal Agreements” and “SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY – Pass Through Agreements.” In addition, certain sub-areas of the Project Areas are subject to the tax sharing provisions of AB 1290. Under Section 33607.5 and Section 33607.7 of the Law (added by AB 1290), any territory added to a project area after 1994 is required to share in tax increment revenues generated by such territory or changing the limitation on the date by which an agency could incur indebtedness pursuant to a statutory formula (“Statutory Tax Sharing”). Under Section 34177.5(c) of the Dissolution Act, the Agency may subordinate the statutory pass through payments to the repayment of indebtedness. The Agency subordinated the statutory pass through payments to the repayment of Agency Bonds. See APPENDIX A “REPORT OF FISCAL CONSULTANT – Fiscal Agreements” for a description of the Agency’s obligation to make statutory tax sharing payments and “SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY – Statutory Tax Sharing Payments.”

## **Funds and Accounts**

The Agency Bond Indentures establish the following funds and accounts with respect to the related Agency Bonds:

1. The Special Fund (the “Special Fund”);
2. The Debt Service Fund (“Debt Service Fund”) and within such fund the following accounts:
  - (a) The Interest Account;
  - (b) The Principal Account;
  - (c) The Sinking Account;
  - (d) The Reserve Account; and
  - (e) The Redemption Account.
3. The Costs of Issuance Fund (the “Costs of Issuance Fund”).

A more detailed description of the Funds and Accounts is as follows:

Special Fund; Deposit of Tax Revenues. Each Agency Indenture establishes a special fund known as the “Redevelopment Project Area Special Fund,” which is held by the Successor Agency and which is herein referred to as the “Special Fund.” The Successor Agency shall transfer all of the Tax Revenues received in any Bond Year ratably to the Parity Debt Special Funds and to the Special Fund promptly upon receipt thereof by the Successor Agency, until such time during such Bond Year as the amounts (i) on deposit in the Special Fund equal the aggregate amounts required to be transferred in such Bond Year into the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to the Agency Bond Indentures, and (ii) on deposit in the Parity Debt Special Funds equal the aggregate amounts required to be transferred in such Bond Year pursuant to the applicable Parity Debt Instrument. If the amount of Tax Revenues available in any Bond Year shall be insufficient to deposit the full amount required to be deposited pursuant to subsections (i) and (ii), of this paragraph, then the Successor Agency shall transfer such Tax Revenues for deposit ratably based on the full amounts required to be so deposited.

All Tax Revenues received by the Successor Agency during any Bond Year in excess of (i) the amount required to be deposited as described in the preceding paragraph and (ii) amounts due and payable to the Insurer shall be released from the pledge, security interest and lien under the Agency Bond Indentures for the security of

the Agency Bonds and any additional Parity Debt and may be applied by the Successor Agency for any lawful purpose of the Successor Agency, including but not limited to the payment of Subordinate Debt, or the payment of any rebate amounts due and owing to the United States of America. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Agency Bonds and the payment in full of all other amounts payable under the Agency Bond Indentures, and under any Parity Debt Instrument, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Debt Service Fund, except as may be provided in the Agency Bond Indentures and in any Parity Debt Instrument.

The Successor Agency acknowledges that, due to the passage of Dissolution Act, it will need to take certain actions to ensure that it collects sufficient Tax Revenues to make the deposits as and when required to be made into the Special Fund pursuant to the Agency Bond Indentures, and in order to insure the payment of debt service on the Agency Bonds on a timely basis. The Successor Agency covenants that it will take all such actions as required to make the deposits as and when required to be made into the Special Fund pursuant to the Agency Bond Indentures, and to make the timely payment of debt service on the Agency Bonds. The Successor Agency further acknowledges that the provisions of the Dissolution Act require that it establish the Retirement Fund, into which all Tax Revenues are required to be deposited. The Successor Agency has heretofore established the Retirement Fund as required by Section 34170.5(a) of the California Health and Safety Code, and covenants that it shall continue to hold and maintain the Retirement Fund so long as any of the Agency Bonds are Outstanding. The Successor Agency agrees in the Agency Bond Indentures that it will hold the Special Fund and the Parity Debt Special Funds as accounts within Retirement Fund and will continue to deposit all Tax Revenues, as and when received, into such funds in order to ensure that all Tax Revenues are available for the payment of debt service on the Agency Bonds and Parity Debt on a timely basis including all amounts due to the Insurer.

Debt Service Fund; Transfer of Amounts to Trustee. The Agency Bond Indentures establish a special trust fund to be known as the “Debt Service Fund,” which shall be held by the Trustee hereunder in trust. Moneys in the Special Fund shall be transferred by the Successor Agency to the Trustee and transferred by the Trustee in the following amounts, at the following times, and into the following respective special accounts within the Debt Service Fund, which accounts are hereby established, or continued, as applicable, with the Trustee to pay debt service on the Agency Bonds and any Parity Debt not otherwise provided for in a Parity Debt Instrument, in the following order of priority:

(a) Interest Account. On or before the fourth (4th) Business Day preceding each date on which interest on the Agency Bonds becomes due and payable, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Agency Bonds on such date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the Interest Payment Date upon all of the Outstanding Agency Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Agency Bonds as it shall become due and payable (including accrued interest on any Agency Bonds purchased or redeemed prior to maturity pursuant to the Agency Bond Indentures).

(b) Principal Account. On or before the fourth (4th) Business Day preceding each date on which principal of the Agency Bonds becomes due and payable at maturity, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Outstanding Agency Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Agency Bonds upon the maturity thereof.

(c) Sinking Account. On or before the fourth (4th) Business Day preceding each October 1 on which any Outstanding Agency Term Bonds become subject to mandatory redemption, or otherwise for purchases of Agency Term Bonds, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Agency Term Bonds required to be redeemed on such October 1. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Agency Term Bonds as it shall become due and payable upon redemption or purchase.

(d) Reserve Account. Amounts on deposit in the 2015 Subaccount of the Reserve Account, which is established by the Indenture and which is to be held by the Trustee, shall be available to pay debt service only on the Agency Bonds and any other Parity Debt hereafter issued that the Successor Agency elects to be secured by the 2015 Subaccount of the Reserve Account. In the event that the Successor Agency elects to secure additional Parity Debt with the 2015 Subaccount of the Reserve Account, the Successor Agency shall establish subaccounts within the Reserve Account as needed. See, Appendix D “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Reserve Account.”

(e) Redemption Account. On or before the Business Day preceding any date on which Agency Bonds are subject to redemption, other than mandatory Sinking Account redemption of Agency Bonds, the Successor Agency shall transfer to the Redemption Account the amounts required to pay the principal of and premium, if any, on the Agency Bonds to be so redeemed on such redemption date to the Trustee. The Trustee shall also deposit in the Redemption Account any other amounts received by it from the Successor Agency designated by the Successor Agency in writing to be deposited in the Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Agency Bonds upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of Agency Term Bonds. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such Agency Bonds, the Trustee may, at the direction of the Successor Agency, apply amounts deposited or otherwise to be deposited in the Redemption Account to the purchase of Agency Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on Agency Bonds, which is payable from the Interest Account) as shall be directed by the Successor Agency.

***Reserve Requirement.*** The “Reserve Requirement” is defined in each Agency Indenture to mean, with respect to the Agency Bonds or any Parity Debt as of any calculation date, the least of (i) ten percent (10%) of the original principal amount of the Agency Bonds or Parity Debt, as applicable, provided that if the original issue discount of the Agency Bonds or Parity Debt exceeds 2% of such original principal amount, then initially ten percent (10%) of the original principal amount of, less original issue discount on, the Agency Bonds or Parity Debt, but excluding from such calculation any proceeds of Parity Debt deposited in an escrow described in the definitions of Annual Debt Service and Maximum Annual Debt Service, (ii) Maximum Annual Debt Service with respect to the Agency Bonds or Parity Debt, as applicable, or (iii) 125% of average Annual Debt Service on the Agency Bonds or Parity Debt, as applicable; provided further that the Successor Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Agency Bond Indentures. For purposes of calculating Maximum Annual Debt Service with respect to determining the Reserve Requirement, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument. The calculation of the Reserve Requirement may, at the option of the Successor Agency, be made with respect to the Agency Bonds and all Parity Debt, on a combined basis, as provided in the Agency Bond Indentures, provided that the Trustee shall establish separate subaccounts for the proceeds of the Agency Bonds and Parity Debt to enable the Trustee to track the investment of the proceeds of the Agency Bonds and Parity Debt on an individual basis.

The Successor Agency has determined in the Agency Bond Indentures to calculate the Reserve Requirement to the Agency Bonds amount separate from the outstanding parity debt relating to each Project Area.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year payable on the Agency Bonds or any Parity Debt in such Bond Year. For purposes of such calculation, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument pursuant to which such Parity Debt is issued. For purposes of such calculation, there shall be excluded debt service payments with respect to the Agency Bonds or any Parity Debt (i) to the extent that amounts due with respect to the Agency Bonds or such Parity Debt are prepaid or otherwise discharged in accordance with the Agency Bond Indentures or the relevant Parity Debt Instrument or (ii) to the extent the proceeds thereof are then deposited in an escrow fund in which amounts are invested in Permitted Investments and from which moneys may not be released to the Successor Agency unless the amount of Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County) plus Additional Revenues at least meets the requirements of the Agency Bond Indentures.

If the Agency at any time in the future has cash on deposit in a Reserve Account, the Agency has the right at any time to request the release of funds by the Trustee from such Reserve Account, in whole or in part, by tendering the following to the Trustee a Qualified Reserve Account Credit Instrument, which meets the conditions of the Agency Bond Indentures.

“Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Agency Bond Indentures, provided that all of the following requirements are met by the Agency at the time of delivery thereof to the Trustee: (a) S&P or Moody’s have assigned a long-term credit rating to such bank or insurance company is “AAA” or “Aaa,” respectively; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Agency Bond Indentures; (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account, the Principal Account or the Sinking Account for the purpose of making payments required pursuant to the Agency Bond Indentures; and (e) prior written notice is given to the Insurer before the effective date of any such Qualified Reserve Account Credit Instrument. Notwithstanding the foregoing, in the event of the issuance of Parity Debt (the “Refunding Parity Debt”) to refund existing Parity Debt (the “Refunded Parity Debt”) that has a Qualified Reserve Account Credit Instrument (the “Existing Qualified Reserve Account Credit Instrument”) on deposit in the Reserve Account (or in any subaccount therein) established with respect to such Refunded Parity Debt, any irrevocable standby or direct-pay letter of credit or surety bond proposed to be deposited in the Reserve Account or any subaccount thereof, or into another reserve account, to satisfy the Reserve Requirement with respect to the Refunding Parity Debt issued on or after October 1, 2014, shall only need to be rated no lower than the higher of (i) the current long term ratings assigned by S&P or Moody’s to the bank or insurance company that issued the Existing Qualified Reserve Account Credit Instrument or (ii) “A” or “A2,” respectively, by S&P and Moody’s.

With respect to the portions of the Reserve Requirement attributable to Outstanding Parity Debt, the Agency has previously deposited with the Trustee Qualified Reserve Account Credit Instruments or cash, as follows:

**TABLE 2**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Reserve Account Funding**

|  | <u>Outstanding<br/>Parity Debt</u> | <u>Cash Deposit</u> | <u>Credit<br/>Instrument</u> | <u>Stated<br/>Amount</u> | <u>Provider</u>           |
|--|------------------------------------|---------------------|------------------------------|--------------------------|---------------------------|
| Redevelopment Project Area No. 1                   |                                    |                     |                              |                          |                           |
| 2005 Project Area No. 1 Bonds                      |                                    | \$1,684,237.46      | -                            | -                        |                           |
| 2006 Project Area No. 1 Bonds                      |                                    | -                   | Surety Policy                | \$1,341,275              | MBIA <sup>(1)</sup>       |
| Total  |                                    | \$1,684,237.46      |                              | \$1,341,275              |                           |
| Desert Communities Redevelopment Project Area      |                                    |                     |                              |                          |                           |
| 2005 Desert Community Bonds                        |                                    | -                   | Surety Policy                | \$1,233,750              | XL Capital <sup>(1)</sup> |
| 2006 Desert Community Bonds                        |                                    | -                   | Surety Policy                | 4,453,306                | MBIA <sup>(2)</sup>       |
| 2010 Desert Community Bonds                        |                                    | 2,363,225           | -                            | -                        |                           |
| Total  |                                    | \$ 2,363,225        | -                            | \$5,687,056              |                           |
| Interstate 215 Corridor Redevelopment Project Area |                                    |                     |                              |                          |                           |
| 2005 Interstate 215 Corridor Bonds                 |                                    | \$ 1,270,471        | -                            | -                        |                           |
| 2006 Interstate 215 Corridor Bonds                 |                                    | -                   | Surety Policy                | \$1,811,850              | MBIA <sup>(1)</sup>       |
| 2010 Interstate 215 Corridor Bonds                 |                                    | \$ 4,984,934        | -                            | -                        |                           |
| Total  |                                    | \$ 6,255,405        |                              | \$1,811,850              |                           |

<sup>(1)</sup> In 2009, MBIA ceded its public finance business to National Public Financial Guarantee Corp (“NPF”). Standard & Poor’s Rating Agency has assigned National Financial Guaranty Corp. the rating of “AA-.”

The Qualified Reserve Account Credit Instrument and Cash Deposits identified on Table 1 above deposited with respect to Outstanding Parity Debt are not available to pay the Agency Bonds. Likewise, the 2015 Reserve Subaccount is not available to pay debt service on the Outstanding Parity Debt. However, as discussed above, funds in the 2015 Reserve Subaccount may secure any Parity Debt hereafter issued by the Successor Agency which the Successor Agency elects to be secured by the 2015 Subaccount Account.

Rating agencies have downgraded or withdrawn the ratings on the claims-paying ability and financial strength of most of the nation’s bond insurance companies, including the provider of the Qualified Reserve Account Credit Instrument shown in Table 1 above. Further deterioration in the financial condition of the provider of the Qualified Reserve Account Credit Instrument or a failure to honor a draw by this provider under its Qualified Reserve Account Credit Instrument could occur. The Agency is not required under the Agency Bond Indentures to replace a Qualified Reserve Account Credit Instrument with cash or a replacement instrument in the event the ratings of its provider decline or are withdrawn. The Agency currently has no plans to replace such Qualified Reserve Account Credit Instrument with other instruments or cash.

**Issuance of Additional Agency Parity Debt.** The Agency has covenanted to not issue any obligations payable from Tax Revenues on a senior basis to the Agency Bonds and the Parity Bonds. The Agency Bond Indentures provide that the Successor Agency may issue or incur additional Parity Debt, solely for the purpose of refunding the Agency Bonds and any Parity Debt, subject to the conditions summarized in part below:

(a) No Event of Default shall have occurred and be continuing, and the Successor Agency shall otherwise be in compliance with all covenants set forth in the related Agency Bond Indentures.

(b) The Tax Revenues for each succeeding Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the County or a written report of an Independent Redevelopment Consultant plus any Additional Revenues shall be at least equal to one hundred twenty-five percent (125%) of Annual Debt Service on the related Agency Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year.

(c) The Successor Agency shall deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth subsections (a) and (b) above have been satisfied.

(d) The Successor Agency shall fund a reserve account relating to such Parity Debt in an amount equal to the Reserve Requirement.

Additionally, the Successor Agency will comply with any other conditions for the issuance of Parity Debt set forth in any applicable Parity Debt Instrument.

***Issuance of Subordinate Debt.*** The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency subject to the following specific conditions precedent:

(a) The Successor Agency shall be in compliance with all covenants set forth in the related Agency Bond Indentures and all Parity Debt Instruments;

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the Plan Limitations on the amount of Tax Revenues, then all Outstanding Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance or incurrence of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted within the Plan Limitations (as defined in the related Agency Bond Indentures).

(c) The Successor Agency shall deliver to the Trustee a Certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in the Agency Bond Indentures have been satisfied.

## **Events of Default**

***Events of Default and Acceleration of Maturities.*** Each of the following events shall constitute an Event of Default under the Agency Bond Indentures:

(a) Failure to pay any installment of the principal of any Agency Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on any Agency Bonds when and as the same shall become due and payable.

(c) Failure by the Successor Agency to observe and perform any of the other covenants, agreements or conditions on its part in the Agency Bond Indentures or in the Agency Bonds contained, if such failure shall have continued for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Successor Agency by the Trustee or the Insurer; provided, however, if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Successor Agency with the prior written consent of the Insurer within such thirty (30) day period and the Successor Agency shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Successor Agency shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Subject in all respects to the provisions of the Agency Bond Indentures, if an Event of Default has occurred and is continuing, the Trustee may (with the prior written consent of the Insurer), or if requested in

writing by the Insurer, or, with the prior written consent of the Insurer, the Owners of a majority of the principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Agency Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the related Agency Indenture or in the Agency Bonds to the contrary notwithstanding, and (b) upon receipt of indemnity satisfactory to it from any liability or expense, including payment of the fees and expenses of its counsel and agents, exercise any other remedies available to the Trustee and the Owners in law or at equity. The Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers for the Tax Revenues, if appropriate, and for the revenues, income, product, and profits thereon, if any, ex parte, and without notice, and the Successor Agency consents to the appointment of such receiver upon the occurrence of an Event of Default. If any receivership, bankruptcy, insolvency, or reorganization or other judicial proceedings affecting the Successor Agency is filed, the Trustee shall be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Trustee and Owners allowed in such proceedings for the entire amount due and payable under the Agency Bond Indentures at the time of the institution of such proceedings, and also for any additional amount which may become due and payable after such date, without prejudice to the right of any Owner to file a claim on his own behalf. The Trustee shall not be obligated to take any such action unless offered compensation, indemnity for its potential liability, and reimbursement for its legal fees and expenses in accordance with the Agency Indenture.

Promptly upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency and the Insurer in writing. Such notice shall also state whether the principal of the related Agency Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided herein for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Agency Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Agency Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Agency Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the weighted average interest rate then borne by the Outstanding Bonds, and the fees and expenses of the Trustee, including any fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Agency Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case with the prior written consent of the Insurer, the Owners of a majority of the principal amount of the Agency Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Agency Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

## SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

### The Agency

The Former Agency was established pursuant to the Redevelopment Law and was activated by the Board of Supervisors of the County (the “Board”) on August 6, 1985, by Ordinance No. 612, at which time the Board declared itself to be the governing board (the “Board of Directors”) of the Former Agency. The Former Agency was charged with the authority and responsibility of redeveloping and upgrading blighted areas of the County. The Former Agency was a separate public body and exercised governmental functions in planning and carrying out redevelopment projects. Subject to requirements and certain limitations in the Redevelopment Law, the Former Agency was charged to build public improvements, facilitate the development of on and off-site improvements for private development projects, acquire and re-sell property, and provide services of special benefit to the Project Areas.

**AB 1X 26.** As a result of AB 1X 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy “enforceable obligations” of the former redevelopment agency.

On January 10, 2012, the County Board of Supervisors accepted designation as the Successor Agency pursuant to Resolution No. 2012-034 and Section 34171(j) of the Dissolution Act. On June 27, 2012, AB 1X 26 was amended by AB 1484, which clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency but without any legal authority to participate in redevelopment activities except to complete the work related to an approved enforceable obligation. The Dissolution Act expressly clarifies that the County and the Successor Agency are separate public entities. None of the liabilities of the Former Agency are transferred to the County by the virtue of the County’s election to serve as the Successor Agency.

The present members of the Board of Supervisors and their terms of office are shown below:

| <u>Member</u>      | <u>Term Expires</u> |
|--------------------|---------------------|
| Kevin Jeffries     | January 2017        |
| John F. Tavaglione | January 2019        |
| Chuck Washington   | January 2017        |
| John J. Benoit     | January 2019        |
| Marion Ashley      | January 2019        |

As discussed below, many actions of the Successor Agency are subject to approval by an “oversight board” and the review or approval by the California Department of Finance, including the issuance of bonds such as the Bonds.

### Oversight Board

The Oversight Board is governed by a seven-member governing board, with three members appointed by the County, one member appointed by the County Flood Control and Water Conservation District, one member appointed by Riverside Community College District, one member appointed by the City of Riverside, and one member appointed by the Riverside Superintendent of Schools.

The Oversight Board has fiduciary responsibility to the holders of enforceable obligations and the taxing entities that benefit from the distributions of property tax and other revenue. The Oversight Board will oversee the “winding down” process of the Redevelopment Agency for the County of Riverside and meets on an as-needed basis throughout the year. For example, the establishment of each ROPS must be first approved by the Oversight Board. The issuance of bonds, such as the Bonds, is subject to the approval of the Oversight Board.



All actions of the Oversight Board are subject to review by the California State Department of Finance (the “State Department of Finance” or the “DOF”). Certain Successor Agency matters are also subject to review by the County Auditor-Controller and the State Controller.

The Dissolution Act provides that, starting July 1, 2016, the current Oversight Board will be replaced, such that there will be only one oversight board for all of the successor agencies in the County. The Board will be comprised of seven members to be appointed to represent the different categories of taxing entities, the public and employees of successor agencies.

### **Department of Finance Finding of Completion**

Pursuant to the Dissolution Act, the Successor Agency was required to retain independent accountants to conduct two reviews, known as due diligence reviews (each, a “DDR”): one for the Low and Moderate Income Housing Fund (the “Housing Fund”) and the other for all of the other funds and accounts (the “Other Funds”). The purpose of the DDRs was to determine the unobligated balance (the “Unobligated Balance”), if any, of the Housing Fund and the Other Funds, as of June 30, 2012, so that such Unobligated Balance would be distributed to the taxing agencies. Pursuant to the general procedure for determining the Unobligated Balance set forth in the Dissolution Act, legally restricted funds (including bond proceeds), value of assets that are not cash or cash equivalents (such as land and equipment) and amounts that are needed to satisfy obligations listed in an approved ROPS were excluded from the Unobligated Balance.

With respect to each DDR, the Successor Agency was required to submit such DDR, after review and approval by the Oversight Board, to the DOF. The DOF issued its final determination regarding the Successor Agency’s DDR for the Housing Fund on December 21, 2012, having determined that the Successor Agency’s Housing Fund Unobligated Balance available for distribution to the taxing agencies was \$15,663,716. The DOF issued its final determination regarding the DDR for the Other Funds on June 6, 2013, having determined that there was no Non-Housing Funds Unobligated Balance available for distribution to the taxing agencies. The Successor Agency has remitted such sum to the County Auditor-Controller.

Because the Successor Agency has made the remittances required by the DOF’s final determination concerning the DDRs, as well as certain other amounts previously required to be remitted pursuant to the Dissolution Act, the DOF issued a “Finding of Completion” to the Successor Agency on April 18, 2013. Upon receipt of such Finding of Completion, the Successor Agency is authorized to proceed with actions permitted under certain provisions of the Dissolution Act, such as the submission of a Long Range Property Management Plan relating to the disposition of Agency-owned real properties. The Successor Agency has submitted its Long Range Property Management Plan to DOF. Currently, there are no material disagreements between the Successor Agency and the County Auditor Controller’s Office or the Department of Finance.

### **State Controller Asset Transfer Review**

The Dissolution Act requires that the State Controller to conduct a review of the activities of each former redevelopment agency and determine if such redevelopment agency transferred assets a city, county or other local agency after January 1, 2011. If such an asset transfer did occur and the government agency that received the assets is not contractually committed to a third party for the expenditure or encumbrance of those assets, to the extent not prohibited by state and federal law, the State Controller must order the available assets to be returned to the relevant successor agency. The State Controller’s Office completed the asset transfer audit of the Successor Agency with no findings.

### **Pass-Through Agreements**

Under redevelopment law existing at the time of a redevelopment agency’s plan adoption, taxing jurisdictions that would experience a fiscal burden due to the existence of the redevelopment plan could enter into fiscal agreements with redevelopment agencies to alleviate that burden. Such agreements, known as Section

33401 fiscal, or pass-through, agreements, generally provide for redevelopment agencies to pay to a taxing entity some or all of that entity's share of the tax increment received by the agency. Taxing entities could separately receive their share of the growth in valuation due to inflation, known as Section 33676 or the 2% payments.

The Agency reports that it has a uniform set of agreements with non-school taxing entities regarding payments under Section 33401. Under these agreements, the Agency passes through to the taxing entities 100% of the tax increment that the entities would otherwise receive. The County itself does not receive pass-through payments for the general fund or for county fire or library districts under these agreements.

The Agency has a similarly uniform set of agreements with school jurisdictions. Under the school pass-through agreements, the school districts receive 29.62% of the tax increment that each district would normally receive. The Agency has no resolutions in effect with taxing entities under Section 33676.

All Section 33401 pass-through payments are calculated and made by the Auditor-Controller on the Agency's behalf. The Agency's Section 33401 payments are senior to the Bonds. In the Sub-Areas adopted after January 1, 1994, the Agency makes pass-through payments to taxing entities using the statutory mechanism set out in AB 1290. See APPENDIX A – "REPORT OF FISCAL CONSULTANT."

### **Statutory Tax Sharing Payments**

The Sub-Areas added to the Project Areas after January 1, 1994 are subject to the special requirements of AB1290, which replaced tax increment caps and negotiated fiscal agreements with finite plan durations and statutory payments to taxing entities, among other requirements. The Redevelopment Plans were subsequently brought into conformance with plan duration and other provisions of AB1290. The California Legislature enacted Senate Bill 1045, Chapter 260, Statutes 2003, effective September 1, 2003 ("SB 1045") and Senate Bill 1096, Chapter 211, Statutes of 2004 ("SB 1096"). SB 1045 and AB 1096 provide, among other things, that the Redevelopment Plan for Project Areas may be amended to add up to three years on to the effectiveness of the Redevelopment Plan and on to the period for collection of tax increment revenues and the repayment of debt. Pursuant to the authorization contained in SB 1045, the Board of Supervisors adopted Ordinance No. 835 on November 30, 2004, (effective December 30, 2004) eliminating the time limitations on incurring debt. As a result, the Project Areas are subject to statutory tax sharing payments. Those taxing entities that have entered into negotiated tax sharing agreements continue to receive tax sharing payments in accordance with the terms of those agreements. The taxing entities without tax sharing agreements will receive their proportionate share of the statutory payments described below.

The payments to those taxing entities that do not have tax sharing agreements in place are made in accordance with the three-tiered formula for statutory tax sharing payments required as outlined in Section 33607.7 of the Law. These taxing entities receive their proportional shares of a tax sharing amount that is defined as being 25% of the revenue derived from the difference in assessed value in the current year and the assessed value in the adjusted base year and net of the 20% housing set-aside requirement.

Under Section 34177.5(c) of the Dissolution Act, the Agency may subordinate the statutory pass through payments to the repayment of indebtedness. The Agency has subordinated the statutory pass through payments to the repayment of the Agency Bonds.

### **Property Taxes and Inflation Rates**

The taxable values of property are established each year on the January 1 property tax lien date. Real property values reflect the reported assessed values for secured and unsecured land and improvements. The base year value of a parcel is the value established as the full market value upon a parcel's sale, improvement or other reassessment. Article XIII A of the California Constitution (Proposition 13) provides that a parcel's base year value is established when locally assessed real property undergoes a change in ownership or when new

construction occurs. Following the year a parcel's base year value is first enrolled, the parcel's value is factored annually for inflation. The term base year value does not, in this instance, refer to the base year value of the Project Area. Pursuant to Article XIII A, Section 2(b) of the State Constitution and California Revenue and Taxation Code Section 51, the percentage increase in the parcel's value cannot exceed 2% of the prior year's value.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures, inventory and personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate. Utility property assessed by the State Board of Equalization (the "Board") may be revalued annually and such assessments are not subject to the inflation limitations established by Proposition 13. The taxable value of Personal Property is also established on the lien dates and is not subject to the annual 2% limit of locally assessed real property.

Each year the Board announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. Through 2010-11 there were six occasions when the inflation factor has been less than 2%. Until 2010-11 the annual adjustment never resulted in a reduction to the base year values of individual parcels, however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was a -0.237% and this resulted in a reductions to the adjusted base year value of parcels. The changes in the California Consumer Price Index (CCPI) from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. The table below reflects the inflation adjustment factors for the current fiscal year, ten prior fiscal years and the estimated adjustment factor for the next fiscal year.

**Historical Inflation Adjustment Factors**

| <b><u>Fiscal Year</u></b> | <b><u>Inflation Adj. Factor</u></b> |
|---------------------------|-------------------------------------|
| 2004-05                   | 1.867%                              |
| 2005-06                   | 2.000                               |
| 2006-07                   | 2.000                               |
| 2007-08                   | 2.000                               |
| 2008-09                   | 2.000                               |
| 2009-10                   | 2.000                               |
| 2010-11                   | -0.237                              |
| 2011-12                   | 0.753                               |
| 2012-13                   | 2.000                               |
| 2013-14                   | 2.000                               |
| 2014-15                   | 0.454                               |
| 2015-16                   | 1.998                               |

Source: State of California Board of Equalization.

**Supplemental Assessment Revenues**

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of the increase or decrease in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against real property.

Since 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of

Supplemental Assessment Revenues by taxing entities typically follows the change of ownership by a year or more. The Agency has not included revenues resulting from Supplemental Assessments in its projections.

### **Property Taxes; Teeter Plan**

The County utilized a mechanism for the distribution of tax increment revenue to the former redevelopment agencies that has a similar effect on the Agency's tax increment revenues as the device known as the Teeter Plan (Section 4701 et seq. of the California Revenue and Taxation Code). The Teeter Plan allows counties to distribute secured property tax revenue to participating jurisdictions without regard to delinquencies by maintaining a reserve fund to cover delinquencies and allocating revenue based on the original secured roll, retaining all delinquent tax payments and penalties. Under the mechanism used by the county to distribute tax increment revenue to the former redevelopment agencies, the County pays one-half of the taxes from the net taxable assessed valuation appearing on the equalized roll to each agency's RPTFF on January 2 and the other one-half on June 1; delinquencies are not deducted from the Redevelopment Property Tax Trust Fund revenue, and delinquent tax payments and defaulted tax redemptions, penalties and interest are not added to Redevelopment Property Tax Trust Fund revenue. Consequently, the Agency is currently not affected by delinquent tax payments. However, the County Auditor-Controller's office has indicated that the County may cease to use this mechanism at some future date. There is no indication of when or whether this change may occur or what tax increment distribution mechanism would replace it.

### **Financial Statements**

The Successor Agency currently maintains separate audited financial statements. The Successor Agency's audited financial statements for the fiscal year ended June 30, 2014, are included as Appendix C to this Official Statement. The Successor Agency has not requested nor did the Successor Agency obtain permission from the Auditor to include the audited financial statement as an appendix to this Official Statement. Accordingly, the auditor has not performed any post audit review of the financial conditions and operations of the Successor Agency.

### **Allocation of Former Low and Moderate Income Housing Set-Aside**

The projections of tax increment revenues and Tax Revenues pledged to repay the Bonds, for each series of the Agency, are shown under the discussion of each Project Area. A portion of tax increment that would have been deposited in the Former Agency's Low and Moderate Income Housing Set-Aside is pledged to the repayment of the Housing Bonds of the Former Agency and Successor Agency. The Housing Bonds are payable from the former Low and Moderate Income Housing Set-Aside of all of the redevelopment project areas of the Former Agency. Each Project Area is responsible for its pro rata portion of the debt service of the Housing Bonds. Reductions in assessed value in any other project area can have the result of increasing the pro rata share of debt service on the Housing Bonds in each Project Area, in particular, energy facilities in the Mid-County Redevelopment Project Area and the Interstate 215 Corridor Redevelopment Project Area, have had large reassessments. A significant decrease in the assessed value of such a large property owner could result in reducing tax increment in the related project area. A reduction in another project area's assessed value could increase each of the Project Area's proportionate share of debt service for the Housing Bonds and result in a corresponding reduction in the amount of Tax Revenues available to pay debt service on the Bonds.

### **Plan Limitations**

In 1993, the California Legislature enacted AB 1290. Among the changes to the Redevelopment Law accomplished by AB 1290 was a provision which limits the period of time for incurring and repaying loans, advances and indebtedness which are payable from tax increment revenues. In general, a redevelopment plan may terminate not more than 40 years following the date of original adoption, and loans, advances, and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan.

The Sub-Areas added to Project Areas after January 1, 1994 are subject to the special requirements of AB1290, which replaced tax increment caps and negotiated fiscal agreements with finite plan durations and statutory payments to taxing entities, among other requirements. The Redevelopment Plans were subsequently brought into conformance with plan duration and other provisions of AB1290. The California Legislature enacted Senate Bill 1045, Chapter 260, Statutes 2003, effective September 1, 2003 (“SB 1045”) and Senate Bill 1096, Chapter 211, Statutes of 2004 (“SB 1096”). SB 1045 and AB 1096 provide, among other things, that the Redevelopment Plan for the Project Area may be amended to add up to three years to the effectiveness of the Redevelopment Plan and to the period for collection of tax increment revenues and the repayment of debt. Pursuant to the authorization contained in SB 1045, the Board of Supervisors adopted Ordinance No. 835 on November 30, 2004, (effective December 30, 2004) eliminating the time limitations on incurring debt. As a result, the Project Areas are subject to statutory tax sharing payments. Those taxing entities that have entered into negotiated tax sharing agreements continue to receive tax sharing payments in accordance with the terms of those agreements. The taxing entities without tax sharing agreements will receive their proportionate share of the statutory payments described below.

Additionally, the Successor Agency has covenanted in the Agency Bond Indentures to annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Successor Agency under the Plan Limitations, as well as future cumulative Annual Debt Service, payments on any obligations of the Successor Agency payable from tax increment revenues that are senior to the 2015 Bonds, and payments on obligations that are subordinate to the 2015 Bonds. If, based on such review, the allocation of tax increment revenues to the Successor Agency in any of the next three succeeding Fiscal Years will (a) cause an amount equal to ninety-five (95%) of the amount remaining under the Plan Limitations to fall below the sum of (i) remaining cumulative Annual Debt Service, (ii) payments on obligations of the Successor Agency payable from tax increment revenues that are senior to the 2015 Bonds, and (iii) payments on obligations that are subordinate to the 2015 Bonds or (b) cause the tax increment cap in a sub-area of the related Project Area to meet its cap, the Successor Agency shall adopt a plan approved by an Independent Redevelopment Consultant that demonstrates the Successor Agency’s continuing ability to pay debt service on the 2015 Bonds and Parity Debt. Such plan may include, among other actions, defeasing or redeeming the 2015 Bonds or Parity Debt or reducing the amount of tax increment being claimed from one or more sub areas within the related Project Area. In the event that the Successor Agency determines to defease or redeem 2015 Bonds or Parity Debt, such defeasance shall be accomplished as provided in the Agency Bond Indentures.

The Department of Finance has expressed the opinion that the tax increment limits within the former redevelopment plans that had not been reached prior to redevelopment dissolution are inconsistent with the purpose and intent of the redevelopment dissolution statutes. As a result, it is possible that the annual tax increment limit contained in the redevelopment plan may not be applied by the County Auditor Controller. However, the Department of Finance’s opinion is not dispositive of this particular issue and, accordingly, the Successor Agency intends to comply with the foregoing covenant until such time that it is clear that the tax increment limitations no longer apply.

Each successor agency only receives the amount necessary to pay enforceable obligations on the approved ROPS (see “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules”) and it has become unclear whether a redevelopment plan’s tax increment limit continues to be effective. For the purposes of this Official Statement and the calculation of Tax Revenues, the Successor Agency has assumed that the tax increment limitation set forth in the Redevelopment Plans continue to be effective.

### **Other Project Areas**

There are a total of 5 active redevelopment project areas administered by the Successor Agency. **NONE OF THE TAX REVENUE GENERATED FROM PROPERTY LOCATED IN A PROJECT AREA IS DIRECTLY PLEDGED TO PAY DEBT SERVICE ON ANY OTHER PROJECT AREA.** However, pursuant to Section 34177.5(g) of the Dissolution Act, bonds issued by a successor agency, including the Successor

Agency, are secured by a pledge and lien on all moneys deposited from time to time in the Redevelopment Property Tax Trust Fund (“RPTTF”). See “SECURITY FOR THE BONDS – Pledge of Tax Revenues,” herein. Such pledge and lien is subordinate to any existing pledges or liens on such tax revenues. Accordingly, tax revenue generated from property located in one of the other project areas administered by the Successor Agency, subject to existing liens and priority claims, is available to pay debt service on the Agency Bonds, if available pursuant to paragraph (2) of subdivision (a) of Section 34183 and Section 34177.5(g) of the Dissolution Act. The Agency’s 2014 Bonds for Project Area No. 1, I-215 Corridor, and Desert Communities Project Area, the Agency’s 2015 Bonds for the Mid-County Project Area and Jurupa Valley Project Area, together with the Successor Agency 2014 Housing Bonds, have the pledge of residual RPTTF Funds, and future tax allocation bonds of the Successor Agency are expected to be secured, in part, by the residual amounts remaining in the RPTTF. This pledge of residual amounts in the RPTTF is only available after the payment of all senior enforceable obligations, and will continue to be spread among the five project areas of the Successor Agency as existing tax allocation bonds of the Successor Agency are refinanced. The Fiscal Consultant’s Report, attached as Appendix A, shows total assessed values and incremental revenues for all project areas as well as the largest property tax payers in all areas combined. The top ten tax payers for all project areas amount to 13.94% of the total assessed value.

The total principal amount of bonds outstanding of the Successor Agency is \$503,822,721 for non-housing bonds and \$162,548,028 for housing bonds. The total annual amount of tax increment for all project areas in 2014-15 is \$100,544,146 and for fiscal year 2014 the Successor Agency paid \$56,047,802 with respect to debt service payments, which left a residual balance of \$19,150,341. See Appendix A – “REPORT OF FISCAL CONSULTANT.”

The table below sets forth the residual tax revenues which were distributed to taxing entities for each fiscal year since Fiscal Year 2011-12. Amounts from other project areas have not been included in any of the Tax Revenue projections contained in this Appendix.

**TABLE 3**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**All Redevelopment Project Area**  
**Historical Residual RPTTF Revenues**

| Fiscal Year | ROPS Filed                           | Property Tax Deposits (RPTTF) | County Administrative Distributions | Passthrough Distributions <sup>(2)</sup> | Available for Enforceable Obligations | Enforceable Obligations with TI Pledge | Debt Service Payments | Excess RTTPF Revenue |
|-------------|--------------------------------------|-------------------------------|-------------------------------------|--|---------------------------------------|--|-----------------------|----------------------|
| 2011-12     | ROPS I and II                        | \$ 90,463,742                 | \$1,138,494                         | \$21,804,232                             | \$67,521,016                          | \$419,667                              | \$56,802,651          | \$10,298,698         |
| 2012-13     | ROPS III and 13-14A                  | 90,395,395                    | 1,238,003                           | 23,104,432                               | 66,052,960                            | 391,000                                | 56,803,525            | 8,858,435            |
| 2013-14     | ROPS 13-14B and 14-15 <sup>(1)</sup> | 104,936,072                   | 1,208,571                           | 35,115,754                               | 68,611,747                            | 786,435                                | 56,808,382            | 11,016,930           |
| 2014-15     | ROPS 14-15B and 15-16A               | 100,544,146                   | 1,261,498                           | 23,393,003                               | 75,889,645                            | 691,502                                | 56,047,802            | 19,150,341           |

<sup>(1)</sup> Debt service levy collections included in Property Tax Deposits for FY 2013-14 were offset by matching Passthrough Distributions..

<sup>(2)</sup> Passthrough Distributions include subordinated pass-through payments.

Source: Riverside County Auditor Controller.

See the Fiscal Consultant’s Report attached as Appendix A to this Official Statement for additional information related to all of the Successor Agency’s active project areas, including a description of the concentration of ownership across all such project areas. As the Successor Agency continues to wind down its affairs pursuant to the Dissolution Act, residual RPTTF revenues are expected to increase as enforceable obligations are retired. This may be offset to some extent by the project areas reaching their respective plan limits affecting the Successor Agency’s eligibility to receive tax revenues from such project areas.

## REDEVELOPMENT PROJECT AREA NO. 1

### General

The Riverside County Board of Supervisors (the “Board”) approved Redevelopment Project Area No. 1 on December 23, 1986, pursuant to Ordinance No. 635. Redevelopment Project Area No. 1 is located in the southwestern region of the County and consists of four sub-areas, totaling approximately 4,651 acres. The original Project Area contains sub-areas in the communities of Home Gardens and Murrieta. The Board approved Amendment No. 1 to the Project Area on July 20, 1999, pursuant to Ordinance No. 793, which included a new sub-area in the communities of Lakeland Village and Wildomar. A second amendment to the Project Area was approved on December 14, 1999, pursuant to Ordinance No. 800. This amendment allowed for the creation of another new sub-area in the El Cerrito/Temescal Canyon area.

***Home Gardens.*** The first sub-area encompasses approximately 150 acres and is located in the unincorporated area of Home Gardens, situated between the cities of Riverside and Corona. The area is comprised of commercial and industrial land uses and has easy access to both State Route 91 and Interstate 15. A small portion of the sub-area was annexed into the city of Corona and includes a small industrial park.

***Murrieta.*** The second sub-area consists of approximately 200 acres within the city of Murrieta and is located between the cities of Lake Elsinore and Temecula. The sub-area was formed in 1986 and was subsequently included as part of the incorporation of the City of Murrieta in July, 1991. The Murrieta Sub-Area is located within the historic core of the city and remains mostly rural in nature with large residential lots, limited commercial, office and industrial development and several public facilities. The junction of Interstates 15 and 215 is approximately 1.5 miles southeast of the sub-area, making it a convenient location for businesses. The Agency has worked cooperatively with the City of Murrieta to implement a revitalization program to improve the historic district. Improvements implemented under the program include a streetscape project in which new decorative sidewalks, landscaping and lighting were constructed. As the infrastructure improvements are being completed, the Façade Improvement Program is being utilized by business owners to renovate their commercial buildings along the street frontage.

***Lakeland Village/Wildomar.*** The third sub-area is located adjacent to the cities of Lake Elsinore and Wildomar. It is approximately 2,859 acres in size and consists of four non-contiguous areas in the communities of Lakeland Village, Sedco Hills and Cleveland Ridge. A portion of the sub-area is located within the City of Wildomar which incorporated in 2008. Over half of the sub-area is single-family residential, with limited commercial development and several public facilities. Because the sub-area is adjacent to Lake Elsinore and the Cleveland National Forest, it has significant recreational potential.

***El Cerrito/Temescal Canyon.*** This fourth sub-area includes approximately 1,442 acres of land on both sides of the 15 Freeway near the City of Corona. The El Cerrito Sub-Area is located north of Cajalco Road and the Temescal Canyon Sub-Area is located south of Weirick Road. Residential uses make up the largest percentage of existing development in the area, particularly in the El Cerrito sub-area, while commercial and industrial development is prominent in the Temescal Canyon Sub-Area.



## Largest Taxpayers in the Project Area No. 1

The following table shows the ten largest taxpayers in the Project Area No. 1. The Fiscal Consultant has identified the location by Sub-Area for each of the largest property tax payers in the table below. For a brief description of the three largest property tax payers in the Project Area No. 1, as well as the locations by Sub-Area, see APPENDIX A – “REPORT OF FISCAL CONSULTANT – Ten Largest Assesseees.”

**TABLE 4**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Redevelopment Project Area No. 1**  
**10 Largest Property Owners by Assessed Value**  
**(Fiscal Year 2015-16)**

| <u>Property Owner</u>            | <u>Secured and<br/>Utility</u> | <u>Unsecured</u> | <u>Total</u>    | <u>Pct of<br/>Total</u> | <u>Sub-Area</u>     | <u>Principal Land Use</u> |
|----------------------------------|--------------------------------|------------------|-----------------|-------------------------|---------------------|---------------------------|
| CASTLE & COOKE <sup>(1)</sup>    | \$ 174,284,557                 | -                | \$ 174,284,557  | 12.34%                  | El Cerrito/Temescal | Shopping Centers          |
| WILDROSE RIDGE                   | 39,726,976                     | -                | 39,726,976      | 2.81%                   | El Cerrito/Temescal | Industrial                |
| ANAISA                           | 20,639,486                     | -                | 20,639,486      | 1.46%                   | Home Gardens        | Industrial                |
| TARGET CORPORATION*              | 19,024,408                     | -                | 19,024,408      | 1.35%                   | El Cerrito/Temescal | Retail                    |
| TRM MANUFACTURING INC            | -                              | \$ 16,607,155    | 16,607,155      | 1.18%                   | Home Gardens        | Industrial                |
| FLEETWOOD ALUMINUM PRODUCTS INC* | 15,959,171                     | 83,140           | 16,042,311      | 1.14%                   | Home Gardens        | Industrial                |
| MCLD HOLDINGS LLC                | -                              | 12,294,488       | 12,294,488      | 0.87%                   | El Cerrito/Temescal | Industrial                |
| 14 PROMENADE PARTNERSHIP L P     | 10,899,222                     | -                | 10,899,222      | 0.77%                   | Home Gardens        | Industrial                |
| PLASTIC INDUSTRIES INC           | -                              | 10,372,966       | 10,372,966      | 0.73%                   | El Cerrito/Temescal | Industrial                |
| ROBERTSHAW CONTROLS CO LSE       | 9,834,466                      | -                | 9,641,825       | 0.68%                   | Home Gardens        | Industrial                |
| Total, Top Ten:                  | \$ 290,368,286                 | \$ 39,357,749    | \$ 329,726,035  | 23.35%                  |                     |                           |
| Total, Top Twenty:               | \$ 354,284,329                 | \$ 39,357,749    | \$ 393,642,078  | 27.88%                  |                     |                           |
| Total, Top Hundred:              | \$ 495,367,434                 | \$ 62,557,007    | \$ 557,924,441  | 39.51%                  |                     |                           |
| Totals for the Area:             | \$1,311,752,861                | \$100,289,167    | \$1,412,042,028 | 100.00%                 |                     |                           |

<sup>(1)</sup> Owner has one or more appeals of assessed value outstanding.

Source: County Assessor, Urban Analytics.

## Project Area No. 1 Indebtedness

In addition to the Project Area No. 1 Bonds, the Agency currently has the following outstanding indebtedness for Project Area No. 1 (see APPENDIX C – “Successor Agency Audited Financial Statements for Fiscal Year Ending June 30, 2014” hereto for additional information relating to the payment of indebtedness of the Agency):

A description of outstanding indebtedness of the Agency for Project Area No. 1, other than the 2015 Series A Bonds, as of July 1, 2015 as follows:

**TABLE 5**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Redevelopment Project Area No. 1**  
**Summary of Outstanding Debt**  
**(As of July 1, 2015)**

|                              | <b>Balance</b>             |
|------------------------------|----------------------------|
|                              | <b><u>July 1, 2015</u></b> |
| Bonds:                       |                            |
| 2005 Bonds <sup>(1)(2)</sup> | \$24,385,000               |
| 2006 Bonds <sup>(2)</sup>    | 18,845,000                 |
| 2014 Bonds                   | <u>19,620,000</u>          |
| Total                        | \$62,850,000               |

<sup>(1)</sup> Bonds to be refunded.

<sup>(2)</sup> Shown in aggregate as “Loans Payable” in audited financial statements.

Source: County of Riverside.

## Assessed Valuation

Due to the impact of general economic stress in California, and certain property assessment policies of the County (see, "Proposition 8 Assessment Reductions and Restorations," herein) which allowed for blanket reductions in assessed valuations in Project Area No. 1, taxable values in the Project Area declined by 7.42% in 2010-11. Project Area No. 1 also experienced declines in incremental value of 2.55% for 2012-13. Values increased for 2013-14 by 2.35% and for Fiscal Year 2014-15 by 6.10%. Values increased 4.59% in 2015-16. The base year value is 32% of the total taxable value in Project Area No. 1 for 2015-16. Table 5 sets forth Project Area No. 1 assessed valuation for the past five fiscal years.

**TABLE 6**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Redevelopment Project Area No. 1**  
**Historical Assessed Values**  
**(Fiscal Years 2011-12 through 2015-16)**

| <u>Roll</u>              | <u>2011-12</u>  | <u>2012-13</u>  | <u>2013-14</u>  | <u>2014-15</u>  | <u>2015-16</u>   |
|--------------------------|-----------------|-----------------|-----------------|-----------------|------------------|
| <b>Secured</b>           |                 |                 |                 |                 |                  |
| - Land                   | \$ 399,511,730  | \$ 383,970,768  | \$ 400,252,581  | \$ 426,073,365  | \$ 451,088,474   |
| - Improvements           | 796,970,755     | 780,860,785     | 809,335,272     | 865,464,674     | 906,176,685      |
| - Personal Property      | 1,639,441       | 1,989,042       | 1,919,583       | 1,811,912       | 1,789,329        |
| - Exemptions             | (45,207,418)    | (47,074,502)    | (47,493,671)    | (48,288,987)    | -48,192,603      |
| Secured Total            | \$1,152,914,508 | \$1,119,746,093 | \$1,164,013,765 | \$1,245,060,964 | \$ 1,310,861,885 |
| <b>Unsecured</b>         |                 |                 |                 |                 |                  |
| - Land                   | \$ 119,523      | \$ 346,498      | \$ 44,579       | \$ 14,272       | \$ 13,847        |
| - Improvements           | 71,234,970      | 75,976,579      | 69,039,300      | 67,070,987      | 66,184,297       |
| - Personal Property      | 50,122,183      | 46,639,724      | 38,467,858      | 37,028,602      | 34,115,803       |
| - Exemptions             | (36,000)        | (400,135)       | (39,213)        | (42,980)        | -24,780          |
| Unsecured Total          | \$ 121,440,676  | \$ 122,562,666  | \$ 107,512,524  | \$ 104,070,881  | \$ 100,289,167   |
| <b>Utility</b>           |                 |                 |                 |                 |                  |
| - Land                   | \$ 1,351,476    | \$ 890,976      | \$ 890,976      | \$ 890,976      | \$ 890,976       |
| - Improvements           | 0               | 0               | 0               | 0               | 0                |
| - Personal Property      | 0               | 0               | 0               | 0               | 0                |
| - Exemptions             | 0               | 0               | 0               | 0               | 0                |
| Utility Total            | \$ 1,351,476    | \$ 890,976      | \$ 890,976      | \$ 890,976      | \$ 890,976       |
| Totals:                  | \$1,275,706,660 | \$1,243,199,735 | \$1,272,417,265 | \$1,350,022,821 | \$1,412,042,028  |
| Percent Change           | 0.49%           | -2.55%          | 2.35%           | 6.10%           | 4.59%            |
| Plus: HOPTR AV           | \$ 16,147,760   | \$ 16,002,103   | \$ 15,152,540   | \$ 14,825,592   | \$ 14,652,232    |
| Less: Base AV            | 446,601,282     | 446,601,282     | 446,601,282     | 446,601,282     | 446,601,282      |
| Incremental AV:          | \$ 845,253,138  | \$ 812,600,556  | \$ 840,968,523  | \$ 918,247,131  | \$ 980,092,978   |
| Incremental Revenue (1%) | \$ 8,452,531    | \$ 8,126,006    | \$ 8,409,685    | \$ 9,182,471    | \$ 9,800,930     |

\* The Homeowner's Property Tax Relief exemption, reimbursed by the state.

Source: County Assessor, Urban Analytics.

## **Proposition 8 Assessment Reductions And Restorations**

Proposition 8 amended the Revenue and Taxation Code to allow for reduction of a property's taxable value when the property's market value drops below the inflation adjusted base value for that property. Once reduced, the Riverside County Office of the Assessor (the "Assessor") is required to revalue the property each year and enroll the lesser of the current market value of the property or its original inflation adjusted base value. If a property that has been reduced in value under Proposition 8 is sold, its value is reset based upon the sales price and this new value is no longer subject to annual revaluation under Proposition 8.

The Assessor annually reports on the number of assessments by city and unincorporated area subject to Proposition 8 reductions, and the amount of Proposition 8 reductions (these figures are reported by tax rate district rather than by sub-area and include areas outside of Project Area No. 1). The Assessor reports 4,631 properties reduced through Proposition 8 in Fiscal Year 2015-16 in the principal tax rate districts within Project Area No. 1 with \$465,043,532 in reduced valuation. This compares to 5,158 properties and \$538,827,205 in Proposition 8 reductions in Fiscal Year 2014-15 and 8,498 properties and \$938,979,295 in Proposition 8 reductions in Fiscal Year 2013-14. While these figures include properties outside of Project Area No. 1, they indicate that Proposition 8 reductions have substantially decreased in value between Fiscal Year 2012-13 and Fiscal Year 2014-15. Additionally, based upon a sampling of individual parcels in Project Area No. 1, the Fiscal Consultant concluded that it is likely that a substantial portion of the increase in assessed valuation of Project Area No. 1 is due to the restoration of assessed valuation of properties that had previously been reduced due to Proposition 8. The assessor does not indicate on the rolls that parcels are subject to Proposition 8.

### **Assessed Valuation Appeals**

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor, or the Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion. Any reduction in the assessment ultimately granted applies to the year for which application is made and during which the written application was filed. The assessed value may be increased to its pre reduction level for fiscal years following the year for which the reduction application is filed if the real estate market recovers.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Most of the appeals filed in Project Area No. 1 are based on Section 51 of the Revenue and Taxation Code which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions have taken place in some counties due to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and it may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

There are currently 51 pending appeals within Project Area No. 1. In order to estimate the potential reduction in assessed value that may occur as a result of these pending appeals, the fiscal consultant reviewed the historical averages for the number of appeals allowed and the amount of assessed value removed and then applied those averages to the currently pending appeals and estimated the number of pending appeals that may be allowed and the amount of assessed value that may be removed as a result of the pending appeals.

Four of Project Area No. 1's top ten taxpayers have pending appeals of their assessed value as shown in Table 6. The estimated impact of value losses resulting from these pending appeals has not been incorporated into the projected revenues of Project Area No. 1. See "ESTIMATED REVENUES AND BOND RETIREMENT," herein.

**TABLE 7  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE  
Redevelopment Project Area No. 1  
Assessment Appeals by Large Taxpayers**

| <u>Roll Year</u> | <u>Owner Name</u>                      | <u>Status<sup>(1)</sup></u> | <u>County Valuation</u> | <u>Applicant Opinion of Value</u> | <u>Valuation After Appeal</u> |
|------------------|--|-----------------------------|-------------------------|-----------------------------------|-------------------------------|
| 2014-15          | CASTLE & COOKE CORONA CROSSINGS II INC | 1 Pending                   | \$ 2,122,566            | \$ 1,050,000                      | TBD                           |
| 2014-15          | FLEETWOOD ALUMINUM PRODUCTS INC        | 2 Pending                   | 15,873,550              | 9,000,000                         | TBD                           |
| 2013-14          | CASTLE & COOKE CORONA CROSSINGS II INC | 2 Resolved                  | 21,514,282              | 15,252,500                        | \$21,514,282                  |
| 2013-14          | FLEETWOOD ALUMINUM PRODUCTS INC        | 2 Resolved                  | 13,447,868              | 7,590,000                         | 13,447,868                    |
| 2013-14          | TARGET CORP                            | 1 Pending                   | 18,829,807              | 400,000                           | TBD                           |
| 2012-13          | CASTLE & COOKE CORONA CROSSINGS II INC | 2 Resolved                  | 21,092,435              | 14,136,000                        | 23,383,325                    |
| 2012-13          | FLEETWOOD ALUMINUM PRODUCTS INC        | 2 Resolved                  | 12,963,927              | 7,274,000                         | 12,963,927                    |
| 2011-12          | CASTLE & COOKE CORONA CROSSINGS I INC  | 2 Resolved                  | 13,749,466              | 9,149,000                         | 13,749,466                    |
| 2011-12          | CASTLE & COOKE CORONA CROSSINGS II INC | 1 Resolved                  | 2,030,928               | 1,006,000                         | 2,030,928                     |
| 2011-12          | FLEETWOOD ALUMINUM PRODUCTS INC        | 2 Resolved                  | 12,988,256              | 8,700,000                         | 12,988,256                    |
| 2010-11          | CASTLE & COOKE CORONA CROSSINGS I INC  | 3 Resolved                  | 14,905,231              | 9,469,112                         | 14,905,231                    |
| 2010-11          | CASTLE & COOKE CORONA CROSSINGS II INC | 2 Resolved                  | 3,815,043               | 2,266,000                         | 3,815,043                     |
| 2010-11          | FLEETWOOD ALUMINUM PRODUCTS INC        | 2 Resolved                  | 15,426,975              | 8,700,000                         | 15,426,975                    |
| 2010-11          | MCLD HOLDINGS LLC                      | 1 Resolved                  | 10,384,430              | 7,000,000                         | 10,384,430                    |

<sup>(1)</sup> Appeals filed on properties owned by the ten largest owners for 2014-15. Data is current as of June 30, 2014.  
Source: Riverside County Assessor.

The following table shows the amount of assessed value that is presently under appeal within Project Area No. 1 and the estimated reduction of value that has been factored into the projections for 2015-16. The assessment appeals data below reflects appeals filed for Fiscal Years 2005-06 through 2014-15. To provide some indication of the proportion of valuation upheld on appeal, the table below provides information on resolved appeals filed in previous years in Project Area No. 1. Overall, the 422 appeals settled in Project Area No. 1 during the Fiscal Year 2005-06 to Fiscal Year 2014-15 period resulted in reductions in valuation of \$11.2 million out of \$529.5 million in enrolled valuation subject to appeals, or around 2%. The overall retention rate has been estimated by the Fiscal Consultant to be approximately 98% of the original valuation.

Applying the 98% retention rate for resolved appeals to the \$114.3 million in total valuation for parcels with appeals pending indicates a potential valuation reduction of \$2.4 million or approximately \$24,000 in tax revenue. If the full amount of disputed valuation were granted, the reduction in valuation would be \$66.8 million or approximately \$668,000 in tax revenue. As noted below under “-Project Area No. 1 Estimated Revenues and Bond Retirement,” no assumptions are made regarding any potential appeal-related adjustments to Project Area valuation.

**TABLE 8  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE  
Redevelopment Project Area No. 1  
Estimated Appeals Loss  
Fiscal Year 2015-16**

| <u>Roll Year</u> | <u>Status</u> | <u>Number of Appeals<sup>(1)</sup></u> | <u>County Valuation</u> | <u>Applicant Opinion of Value</u> | <u>Valuation After Appeal</u> | <u>Retention Rate<sup>(2)</sup></u> |
|------------------|---------------|--|-------------------------|-----------------------------------|-------------------------------|-------------------------------------|
| 2014-15          | Resolved      | 1                                      | \$ 441,000              | \$ 320,000                        | \$ 441,000                    | 100%                                |
| 2014-15          | Pending       | 20                                     | 38,263,198              | 19,947,431                        | -                             | TBD                                 |
| 2013-14          | Resolved      | 22                                     | 47,898,147              | 30,625,683                        | 46,801,408                    | 98%                                 |
| 2013-14          | Pending       | 16                                     | 55,769,566              | 19,366,491                        | -                             | TBD                                 |
| 2012-13          | Resolved      | 46                                     | 67,582,830              | 38,274,837                        | 63,251,739                    | 94%                                 |
| 2012-13          | Pending       | 14                                     | 17,863,808              | 7,905,980                         | -                             | TBD                                 |
| 2011-12          | Resolved      | 63                                     | 102,722,934             | 58,536,158                        | 97,060,538                    | 94%                                 |
| 2011-12          | Pending       | 1                                      | 2,402,513               | 314,784                           | -                             | TBD                                 |
| 2010-11          | Resolved      | 81                                     | 141,543,762             | 82,199,674                        | 133,308,294                   | 94%                                 |
| 2010-11          | Pending       | -                                      | -                       | -                                 | -                             | -                                   |
| 2009-10          | Resolved      | 113                                    | 81,417,750              | 41,268,855                        | 77,284,111                    | 95%                                 |
| 2009-10          | Pending       | -                                      | -                       | -                                 | -                             | -                                   |
| 2008-09          | Resolved      | 72                                     | 46,710,692              | 23,904,223                        | 58,988,465                    | 126%                                |
| 2008-09          | Pending       | -                                      | -                       | -                                 | -                             | -                                   |
| 2007-08          | Resolved      | 13                                     | 22,018,970              | 14,593,605                        | 22,001,070                    | 100%                                |
| 2007-08          | Pending       | -                                      | -                       | -                                 | -                             | -                                   |
| 2006-07          | Resolved      | 5                                      | 10,201,450              | 5,575,122                         | 10,201,450                    | 100%                                |
| 2006-07          | Pending       | -                                      | -                       | -                                 | -                             | -                                   |
| 2005-06          | Resolved      | 6                                      | 8,959,708               | 3,927,511                         | 8,959,708                     | 100%                                |
| 2005-06          | Pending       | -                                      | -                       | -                                 | -                             | -                                   |
| All Years        | Resolved      | 422                                    | \$529,497,243           | \$ 299,225,668                    | \$518,297,783                 | 98%                                 |
| All Years        | Pending       | 51                                     | \$114,299,085           | \$ 47,534,686                     | TBD                           | TBD                                 |

(1) Date is current as of 6/30/2014.

(2) Expressed as a percentage. Retention Rate is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the “Valuation After Appeal” into the “County Valuation.” For withdrawn and denied appeals, the “Valuation After Appeal” is the original County valuation.

Source: Riverside County Assessor; Urban Analytics.

### Property Value by Land Use

Taxable values in Project Area No. 1 are diversified with residential property values making up 56.5% of all value. Industrial uses account for 16.7% of Project Area No. 1 taxable values and commercial uses account for 20.3%. Together, these four land use categories account for 93.5% of all taxable value in the Project Area.

The following table illustrates the land use of property within Project Area No. 1 and its assessed value.

**TABLE 9**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Redevelopment Project Area No. 1**  
**Land Use Statistics**  
**(Fiscal Year 2015-16)**

| <u>Land Use</u>           | <u>Secured AV<sup>(1)</sup></u> | <u>Pct of AV</u> | <u>Number of Parcels</u> | <u>Pct of Parcels</u> | <u>Acres<sup>(2)</sup></u> | <u>Pct of Acres</u> |
|---------------------------|---------------------------------|------------------|--------------------------|-----------------------|----------------------------|---------------------|
| Agricultural              | \$ 1,067,654                    | 0.1%             | 4                        | 0.1%                  | 37                         | 0.8%                |
| Commercial                | 265,667,632                     | 20.3%            | 244                      | 3.5%                  | 310                        | 6.7%                |
| Industrial                | 219,376,806                     | 16.7%            | 86                       | 1.2%                  | 278                        | 6.0%                |
| Single-Family Residential | 514,825,556                     | 39.3%            | 3,270                    | 46.9%                 | 649                        | 14.0%               |
| Condominiums              | 4,206,327                       | 0.3%             | 13                       | 0.2%                  | 2                          | 0.0%                |
| Other Residential         | 221,115,573                     | 16.9%            | 2,066                    | 29.6%                 | 1,929                      | 41.5%               |
| Vacant                    | 81,714,466                      | 6.2%             | 1,256                    | 18.0%                 | 1,410                      | 30.3%               |
| Other                     | 2,887,871                       | 0.2%             | 32                       | 0.5%                  | 36                         | 0.8%                |
| <b>Total</b>              | <b>\$1,310,861,885</b>          | <b>100.0%</b>    | <b>6,971</b>             | <b>100.0%</b>         | <b>4,651</b>               | <b>100.0%</b>       |

<sup>(1)</sup> Valuations include homeowner's exemptions, which are restored by the Auditor prior to the calculation of tax increment.

<sup>(2)</sup> Acreage is estimated using tax roll data and information provided by the Agency.

Source: County Assessor, Urban Analytics.

### Plan Limitations

The following Table 9 is a summary of the plan limitations of Project Area No. 1 and its Sub-Areas.

**TABLE 10  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE  
Summary of Redevelopment Project Area No. 1  
and Sub-Areas**

| <b>Redevelopment Project<br/>Area No. 1</b> | <b>Date of<br/>Adoption</b> | <b>Ordinance<br/>Number</b> | <b>Termination<br/>of Plan<br/>Activities<sup>(1)</sup></b> | <b>Last Date to<br/>Repay Debt</b> | <b>Tax Increment<br/>Limit<sup>(3)</sup></b> | <b>Acreage</b> | <b>Sub-Area<br/>Tax<br/>Increment<br/>As Percent<br/>of Project<br/>Area Total</b> | <b>Volatility<br/>Ratio<sup>(2)</sup></b> |
|---|-----------------------------|-----------------------------|---|------------------------------------|--|----------------|--|---|
| 1-1986 (Murrieta, Home Gardens)             | 12/23/1986                  | 635                         | 12/23/2027  | 12/23/2037                         | \$150,000,000                                | 350            | 18%  | 0.12                                      |
| 1-1986 (Lakeland/Wildomar)                  | 7/20/1999                   | 793                         | 7/20/2030   | 07/20/2045                         | --   | 2,859          | 36%  | 0.47                                      |
| 1-1986 (El Cerrito/Temescal)                | 12/14/1999                  | 800                         | 12/14/2030  | 12/14/2045                         | --   | 1,442          | 46%  | 0.19                                      |

<sup>(1)</sup> The Agency amended the pre-1994 plans on November 29, 1994 (Ordinance 750) to bring them into conformance with the requirements of AB1290. The plan limits shown above reflect the changes made through that ordinance. The Agency has extended by one year the Termination of Plan Activities and the last date to Repay Indebtedness as permitted under SB1045; dates reflect this extension.

<sup>(2)</sup> The Volatility Ratio is calculated by dividing the base year assessed valuation by the current year assessed valuation. The volatility ratio for the Project Area is 0.31%.

<sup>(3)</sup> Under a seven percent growth assumption, tax increment collected in the Sub-Area subject to a Tax Increment Limit is not expected to reach such Tax Increment Limit prior to the plan limit for such Sub-Area.

Source: Urban Analytics, LLC.



The volatility ratio shown in Table 9 is the proportion of total assessed valuation accounted for by the base year valuation, and reflects the degree of exposure of tax increment to changes in total valuation. A high volatility ratio indicates that a small percentage change in overall assessed valuation would cause a disproportionately large percentage change in tax increment, while a low volatility ratio suggests that a percentage change in overall assessed valuation would cause a similar percentage change in tax increment. Recently-formed redevelopment areas tend to have a high volatility ratio as their total assessed valuation remains close to the base year valuation; their volatility ratio decreases as assessed valuation grows. The volatility ratio for the Project Area is 0.31%

### **Project Area No. 1 Estimated Revenues and Bond Retirement**

The Successor Agency has retained Urban Analytics, LLC, San Francisco, California (the “Fiscal Consultant”), to analyze Project Area No. 1 and to project future tax increment revenues for Project Area No. 1. The Fiscal Consultant’s report is included as Appendix A and should be read in its entirety.

For purposes of projecting Tax Revenues, the Fiscal Consultant has made the following assumptions:

- (1) The Fiscal Consultant assumed that the tax rate in Project Area No. 1 is 1%, with no tax rate overrides.
- (2) County administrative fee is estimated to be 1.50% of tax increment revenue in the Project Area and is shown in Table 10.
- (3) Tax increment revenue is projected to increase at a 2% annual growth rate.
- (4) Tax increment revenues do not include any adjustment for delinquencies, refunds or rebates. See “Property Taxes; Teeter Plan,” herein.
- (5) Net tax increment deducts a proportionate share of the Successor Agency’s debt service obligation on outstanding housing bonds allocated based on Project Area No. 1 tax increment, but does not include a deduction of any other amounts that, prior to dissolution, were required to be deposited in the Former Agency’s Low and Moderate Income Housing Fund.
- (6) Projections assume that Statutory Pass-Through payments are subordinate to debt service.
- (7) Projections do not take into consideration any changes in assessed valuation due to new construction, property sales, Proposition 8 redactions or assessment appeals.
- (8) Senior Pass-Through payments are according to agreements described under “Pass-Through Agreements and Statutory Tax Sharing Payments,” herein.
- (9) The 20% low and moderate housing set aside was eliminated with the Dissolution Act. Were the set aside still in effect, the amount of tax increment deposited in the low and moderate income Housing Fund would have been 20% of the gross tax increment less the County Administration fee. A proportionate share of Agency’s Housing Bond debt service is deducted based on Project Area No. 1 tax increment in proportion to other Agency Project Areas.

Actual levels of future tax increment revenues will depend upon the rate of growth in tax increment resulting from new development, change of ownership and inflation, and changes in tax rates, and may differ from the projections presented herein. See the Report of Fiscal Consultant attached hereto as Appendix A.

It should also be noted that the last date to repay indebtedness in the Sub-Areas within Project Area No. 1 is, for each Sub-Area, after the stated maturity date of the Bonds. However, the Murietta and Home

Gardens Sub-areas have a combined tax increment cap of \$150,000,000. Based on projections prepared by the Fiscal Consultant, tax increment collections are not expected to reach the tax increment cap at growth rates of up to seven percent.

**TABLE 11**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Redevelopment Project Area No. 1**  
**Estimated Tax Increment Revenues<sup>(1)</sup>**  
**Fiscal Years 2015-16 through 2044-45**

| <u>Fiscal Year</u> | <u>Gross Tax Increment</u> | <u>Project Area Share of Housing Debt Service</u> | <u>Senior Pass-Through Payments</u> | <u>County Administrative Fee</u> | <u>Net Tax Increment</u> |
|--------------------|----------------------------|---|-------------------------------------|----------------------------------|--------------------------|
| 2015/16            | \$ 9,837,904               | \$(1,281,370)                                     | \$(406,906)                         | \$(147,569)                      | \$ 8,002,060             |
| 2016/17            | 10,102,827                 | (1,283,645)                                       | (414,834)                           | (151,542)                        | 8,252,807                |
| 2017/18            | 10,373,049                 | (1,285,116)                                       | (422,920)                           | (155,596)                        | 8,509,417                |
| 2018/19            | 10,648,675                 | (1,286,889)                                       | (431,168)                           | (159,730)                        | 8,770,888                |
| 2019/20            | 10,929,814                 | (1,288,708)                                       | (439,581)                           | (163,947)                        | 9,037,578                |
| 2020/21            | 11,216,575                 | (1,289,904)                                       | (448,162)                           | (168,249)                        | 9,310,261                |
| 2021/22            | 11,509,072                 | (1,291,744)                                       | (456,915)                           | (172,636)                        | 9,587,777                |
| 2022/23            | 11,807,418                 | (1,293,220)                                       | (465,843)                           | (177,111)                        | 9,871,244                |
| 2023/24            | 12,111,731                 | (1,294,456)                                       | (474,949)                           | (181,676)                        | 10,160,650               |
| 2024/25            | 12,422,131                 | (1,296,339)                                       | (484,238)                           | (186,332)                        | 10,455,222               |
| 2025/26            | 12,738,739                 | (1,297,657)                                       | (493,712)                           | (191,081)                        | 10,756,288               |
| 2026/27            | 13,061,679                 | (1,298,970)                                       | (503,376)                           | (195,925)                        | 11,063,407               |
| 2027/28            | 13,391,077                 | (1,294,696)                                       | (513,233)                           | (200,866)                        | 11,382,282               |
| 2028/29            | 13,727,064                 | (1,329,663)                                       | (523,288)                           | (205,906)                        | 11,668,207               |
| 2029/30            | 14,069,770                 | (1,330,737)                                       | (533,543)                           | (211,047)                        | 11,994,443               |
| 2030/31            | 14,419,331                 | (1,331,184)                                       | (544,004)                           | (216,290)                        | 12,327,853               |
| 2031/32            | 14,775,882                 | (1,332,609)                                       | (554,673)                           | (221,638)                        | 12,666,962               |
| 2032/33            | 15,139,565                 | (1,332,743)                                       | (565,556)                           | (227,093)                        | 13,014,173               |
| 2033/34            | 15,510,522                 | (1,334,065)                                       | (576,657)                           | (232,658)                        | 13,367,141               |
| 2034/35            | 15,888,897                 | (1,420,517)                                       | (587,980)                           | (238,333)                        | 13,642,067               |
| 2035/36            | 16,274,840                 | (1,678,188)                                       | (599,529)                           | (244,123)                        | 13,753,001               |
| 2036/37            | 16,668,502                 | (1,677,250)                                       | (611,309)                           | (250,028)                        | 14,129,915               |
| 2037/38            | 14,293,026                 | (989,571)   | -                                   | (214,395)                        | 13,089,060               |
| 2038/39            | 14,647,989                 | (985,523)   | -                                   | (219,720)                        | 13,442,746               |
| 2039/40            | 15,010,051                 | (937,029)   | -                                   | (225,151)                        | 13,847,871               |
| 2040/41            | 15,379,354                 | (795,109)   | -                                   | (230,690)                        | 14,353,555               |
| 2041/42            | 15,756,043                 | (794,116)   | -                                   | (236,341)                        | 14,725,587               |
| 2042/43            | 16,140,267                 | -   | -                                   | (242,104)                        | 15,898,163               |
| 2043/44            | 16,532,174                 | -   | -                                   | (247,983)                        | 16,284,192               |
| 2044/45            | 16,931,920                 | -   | -                                   | (253,979)                        | 16,677,941               |
| 2045/46            | -                          | -   | -                                   | -                                | -                        |
| 2046/47            | -                          | -   | -                                   | -                                | -                        |

<sup>(1)</sup> See prior page for assumptions used in projections.  
Source: Urban Analytics.

The following Table 11 projects debt service coverage for the 2015 Series A Bonds showing only projected net tax increment revenue and Tax Revenues.

**TABLE 12**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Redevelopment Project Area No. 1**  
**Estimated Debt Service Coverage**  
**Fiscal Years 2015-16 through 2036-37**  
**(In Thousands)**

| <u>Fiscal Year</u> <sup>(1)</sup> | <u>Net Tax Increment</u> <sup>(2)</sup> | <u>Outstanding Senior Bonds Debt Service</u> | <u>Series 2015 Bonds Debt Service</u> * | <u>Total Debt Service</u> * | <u>Debt Service Coverage</u> * |
|-----------------------------------|---|--|---|-----------------------------|--------------------------------|
| 2015/16                           | \$ 8,252,807                            | \$2,685,088                                  | \$1,675,450                             | \$4,360,538                 | 1.89x                          |
| 2016/17                           | 8,509,417                               | 2,679,138                                    | 1,677,300                               | 4,356,438                   | 1.95x                          |
| 2017/18                           | 8,770,888                               | 2,681,738                                    | 1,672,300                               | 4,354,038                   | 2.01x                          |
| 2018/19                           | 9,037,578                               | 2,687,088                                    | 1,666,500                               | 4,353,588                   | 2.08x                          |
| 2019/20                           | 9,310,261                               | 2,689,088                                    | 1,668,250                               | 4,357,338                   | 2.14x                          |
| 2020/21                           | 9,587,777                               | 2,688,088                                    | 1,668,250                               | 4,356,338                   | 2.20x                          |
| 2021/22                           | 9,871,244                               | 2,689,644                                    | 1,671,500                               | 4,361,144                   | 2.26x                          |
| 2022/23                           | 10,160,650                              | 2,689,294                                    | 1,672,750                               | 4,362,044                   | 2.33x                          |
| 2023/24                           | 10,455,222                              | 2,677,519                                    | 1,677,000                               | 4,354,519                   | 2.40x                          |
| 2024/25                           | 10,756,288                              | 2,678,119                                    | 1,674,000                               | 4,352,119                   | 2.47x                          |
| 2025/26                           | 11,063,407                              | 2,680,369                                    | 1,674,000                               | 4,354,369                   | 2.54x                          |
| 2026/27                           | 11,382,282                              | 2,674,044                                    | 1,681,750                               | 4,355,794                   | 2.61x                          |
| 2027/28                           | 11,668,207                              | 2,679,419                                    | 1,676,750                               | 4,356,169                   | 2.68x                          |
| 2028/29                           | 11,994,443                              | 2,686,956                                    | 1,669,500                               | 4,356,456                   | 2.75x                          |
| 2029/30                           | 12,327,853                              | 2,685,350                                    | 1,670,000                               | 4,355,350                   | 2.83x                          |
| 2030/31                           | 12,666,962                              | 2,685,525                                    | 1,672,750                               | 4,358,275                   | 2.91x                          |
| 2031/32                           | 13,014,173                              | 2,676,425                                    | 1,677,500                               | 4,353,925                   | 2.99x                          |
| 2032/33                           | 13,367,141                              | 2,683,275                                    | 1,674,000                               | 4,357,275                   | 3.07x                          |
| 2033/34                           | 13,642,067                              | 2,791,125                                    | 1,567,500                               | 4,358,625                   | 3.13x                          |
| 2034/35                           | 13,753,001                              | 2,790,725                                    | 1,563,000                               | 4,353,725                   | 3.16x                          |
| 2035/36                           | 14,129,915                              | 2,791,075                                    | 1,565,500                               | 4,356,575                   | 3.24x                          |
| 2036/37                           | 13,089,060                              | 2,621,975                                    | 1,564,500                               | 4,186,475                   | 3.13x                          |

<sup>(1)</sup> See Table 10 for details.

<sup>(2)</sup> Tax increment shown is from Project Area only, however, all funds deposited in RPTTF are available for payment. See "SECURITY FOR THE BONDS – Redevelopment Property Tax Trust Fund," and "– Security for the Bonds." Source: Urban Analytics, LLC.

\* Preliminary, subject to change.

## DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA

### General

The Desert Communities Redevelopment Project Area originally contained two separate project areas known as Project Area No. 4-1986 and 4-1987. The Board approved the original boundaries of Project Area No. 4 on December 23, 1986 pursuant to Ordinance No. 638. Project Area No. 4-1987 was approved by the Board on December 1, 1987 pursuant to Ordinance No. 647. On July 20, 1999, the Board approved the merger of both project areas with the Airports-1988 Project Area. The Airports-1988 project area was approved by the Board on December 19, 1988, pursuant to Ordinance No. 668 and consists of six general aviation airports.

At the same time the merger was approved, the Board approved the addition of 408 acres of land to the Thousand Palms Sub-Area, which originally included approximately 285 acres in the community of Thousand Palms. Both the amendment and merger were approved via Ordinances Nos. 794 and 795, respectively. On January 13, 2009, Amendment No. 2 to the Desert Communities Redevelopment Project Area was adopted via Ordinance No. 886, and added 1,975 acres in the 100 Palms, Oasis, Mecca and North Shore communities to the Project Area. The Project Area consists of several Sub-Areas, encompassing approximately 29,668 total acres.

***East Blythe.*** The East Blythe Sub-Area is comprised of 1,500 acres. A significant portion of the Sub-Area was annexed by the City of Blythe when it extended its city limits to the Colorado River. Approximately 89% of the Tax Revenues are currently generated in the East Blythe Sub-Area.

***Desert Center.*** The Desert Center Sub-Area contains approximately 375 acres in two non-contiguous areas located along Ragsdale and Kaiser Roads, adjacent to the Lake Tamarisk area. The Lake Tamarisk area is made up of residential and recreational uses. The Sub-Area is comprised of irregularly shaped areas, vacant and underutilized parcels. The southern Sub-Area is a combination of developed public and utility land.

***Mecca.*** The Mecca Sub-Area is comprised of 350 acres and is located in the eastern Coachella Valley. Recent developments include the extension of water and sewer lines to the north of Mecca along Lincoln Street. These infrastructure extensions have allowed the development of affordable single-family housing projects including the Village at Mecca (91 units) and Las Serenas (87 units), as well as the 106 space Mecca Mobile Home Park, the 31 unit Chapultepec Apartments, and the 128 unit Las Mananitas migrant farm worker housing project. The Agency also has assisted with the 10-acre Mecca Migrant Farm Labor Village located on Avenue 63, east of Lincoln Street, and has constructed a health clinic, a library and a sheriff's station. Additional acreage was added to the Mecca Sub-Area in January 2009.

***North Shore.*** The North Shore Sub-Area is a small residential and retirement community located on the northern end of the Salton Sea and is comprised of 54 acres. Additional Acreage was added to the North Shore Sub-Area in January 2009, expanding the possibility of future development.

***Palm Desert.*** The Palm Desert Sub-Area is located adjacent to the City of Palm Desert and is primarily commercial and residential in nature. The Sub-Area is approximately 86 acres in size. Recent street improvements, traffic signalization and commercial and retail development in the Sub-Area have attracted new housing and commercial development.

***Ripley.*** The Ripley Sub-Area is comprised of 830 acres and is located within a small, rural community that has low household incomes and high unemployment. The residents are predominately immigrant agricultural workers. The community's infrastructure (water and sewer) is antiquated and substandard, resulting in a lack of new residential and commercial development. A spur of the Burlington Northern, Santa Fe Railroad runs through the northern part of the project area.

***Thermal.*** The Thermal Sub-Area is comprised of 17,250 acres located in the eastern Coachella Valley, with approximately 1,600 acres of land located in the northeasterly portion of the Sub-Area being suitable for industrial development. The Sub-Area includes the 1,800 acre Jacqueline Cochran Regional Airport (formerly

Desert Resorts Regional Airport and previously Thermal Airport), a large general aviation facility. The Thermal Sub-Area is at the confluence of the spheres of influence of Coachella, La Quinta, and Indio. It is generally thought that the long-term improvement and development of the Jacqueline Cochran Regional Airport will constitute a major opportunity for the area, and that future industrial development would be enhanced by anticipated airport improvement activities. The Agency has engaged in a number of public infrastructure improvements, including streets, curbs, gutters, flood control, a community center, school facility improvements, and water system improvements.

***Thousand Palms.*** The Thousand Palms Sub-Area was originally 285 acres in size. In July of 1999, the Board approved an amendment to allow for the addition of new territory to the Sub-Area. The total acreage of the Sub-Area is 693 acres. The Sub-Area is adjacent to Interstate 10 north of the city of Rancho Mirage. The Coachella Valley Enterprise Zone was recently extended into this area to encourage new businesses to the area through the provision of state tax credits.

***100 Palms.*** The 100 Palms Sub-Area, was adopted in January 2009, and is located adjacent to the existing Thermal Sub-Area and Tribal lands. Land uses are represented by sporadic commercial and residential development, and vacant land.

***Oasis.*** The Oasis Sub-Area was adopted in January 2009, and is located fairly close to the Salton Sea, and the area is also adjacent to Tribal lands, and can be characterized by sporadic commercial and residential development, as well as vacant land.

***Airports.*** The Airports Sub-Area consists of six general aviation airports. The following is a brief description of each of the airports. All of the airports with the exception of Flabob Airport are owned by the County. It should be noted that the Jacqueline Cochran Regional Airport (formerly known as Desert Resorts Regional Airport, and previously Thermal Airport) is within the boundaries of the Thermal Sub-Area.

***Blythe Airport.*** Blythe Airport is located in the Colorado River Valley in the easternmost part of the County. It is seven miles west of the city of Blythe along Interstate 10. The airport is owned by the County and leased to and operated by the city of Blythe.

***Chiraco Summit Airport.*** Chiraco Summit Airport is located in the Coachella Valley and is immediately adjacent to Interstate 10. To the south of the airport are the Orocopia and Chocolate Mountains and the Salton Sea. To the north are the San Bernardino Mountains, Joshua Tree National Park and Eagle Mountain.

***Desert Center Airport.*** Desert Center Airport is located north of Interstate 10 and east of State Highway 177. It is near the unincorporated communities of Desert Center and Lake Tamarisk.

***Flabob Airport.*** Flabob Airport is located near the community of Rubidoux in the northwestern portion of the County. The airport is privately owned and operated.

***French Valley Airport.*** French Valley Airport is located in the southwest portion of the County, adjacent to the communities of Temecula, Murrieta and Winchester. The airport is located adjacent to Highway 79 and is only minutes away from Interstates 15 and 215. The major runway was extended to enhance safety margins for aircraft utilizing the airport facility.

***Hemet-Ryan Airport.*** Hemet-Ryan Airport is located in the San Jacinto Valley area of the County and provides convenient access to the mid-County region, including the cities of Hemet and San Jacinto and Diamond Valley Reservoir. Highways 74 and 79 provide easy access to the airport.

## Largest Taxpayers in the Project Areas

The following table shows the ten largest taxpayers in the Project Area. The Fiscal Consultant has identified the location by Sub-Area for each of the largest property tax payers in the table below. For a brief description of the three largest property tax payers in the Project Area, as well as the locations by Sub-Area, see APPENDIX A “REPORT OF FISCAL CONSULTANT – Ten Largest Assesseees.”

The following table shows the ten largest property owners within the Project Area.

**TABLE 13**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Desert Communities Redevelopment Project Area**  
**10 Largest Property Owners by Assessed Value**  
**(Fiscal Year 2015-16)**

| <u>Property Owner</u>   | <u>Secured and Utility<sup>(1)</sup></u> | <u>Unsecured</u> | <u>Total</u>      | <u>Pct of Total</u> | <u>Sub-Area</u>          | <u>Principal Land Use</u> |
|-------------------------|--|------------------|-------------------|---------------------|--------------------------|---------------------------|
| CORAL OPTION 1          | \$ 54,457,589                            | -                | \$ 54,457,589     | 2.06%               | Thermal                  | Recreational              |
| JTM LAND CO             | 37,112,130                               | -                | 37,112,130        | 1.41%               | Thermal                  | Recreational              |
| T D DESERT DEV          | 33,714,244                               | -                | 33,714,244        | 1.28%               | Thermal                  | Recreational              |
| LENNAR                  | 26,226,749                               | \$ 1,263,615     | 27,490,364        | 1.04%               | Thermal                  | Residential               |
| LUCKY STORES INC LSE *  | 24,000,000                               | -                | 24,000,000        | 0.91%               | Palm Desert Country Club | Retail                    |
| IOTA GRIFFIN            | 23,912,644                               | -                | 23,912,644        | 0.91%               | Thermal                  | Recreational              |
| DEUTSCH CONNECTORS      | -  | 18,669,964       | 18,669,964        | 0.71%               | Airports - Hemet-Ryan    | Industrial                |
| HONZEL DEV              | 16,148,316                               | -                | 16,148,316        | 0.61%               | Thermal                  | Vacant Residential        |
| RICHARD BAGDASARIAN INC | 12,059,876                               | -                | 12,059,876        | 0.46%               | Mecca                    | Industrial                |
| <u>WOODSPUR FARMING</u> | <u>11,481,053</u>                        | <u>-</u>         | <u>11,481,053</u> | <u>0.44%</u>        | Palm Desert Country Club | Retail                    |
| Total, Top Ten:         | \$ 239,112,601                           | \$19,933,579     | \$ 259,046,180    | 9.82%               |                          |                           |
| Total, Top Twenty:      | \$ 287,817,502                           | \$21,992,139     | \$ 309,809,641    | 11.75%              |                          |                           |
| Total, Top Hundred:     | \$ 553,731,741                           | \$33,579,614     | \$ 587,311,355    | 22.27%              |                          |                           |
| Totals for the Area:    | \$2,562,384,583                          | \$75,365,334     | \$2,637,749,917   | 100.00%             |                          |                           |

<sup>(1)</sup> Table excludes the following sub-areas that did not generate tax increment in FY2015-16: DCPA (North Shore) and DCPA Amend 2 (100 Palms/Oasis).

<sup>(2)</sup> Owner has one or more appeals of assessed value outstanding.

Source: County Assessor, Urban Analytics.

## Successor Agency Indebtedness

In addition to the Bonds, the Agency currently has the following outstanding indebtedness (see APPENDIX C “Successor Agency Audited Financial Statements for Fiscal Year Ending June 30, 2014” hereto for additional information relating to the payment of indebtedness of the Agency):

A description of outstanding indebtedness of the Agency, other than the 2015 Series D Bonds, as of July 1, 2015 as follows:

**TABLE 14**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Desert Communities Redevelopment Project Area**  
**Summary of Outstanding Debt**  
**(As of July 1, 2015)**

|                              | <b>Balance</b>             |
|------------------------------|----------------------------|
|                              | <b><u>July 1, 2014</u></b> |
| Bonds:                       |                            |
| 2005 Bonds <sup>(1)(2)</sup> | \$ 14,440,000              |
| 2006 Bonds <sup>(2)</sup>    | 60,650,000                 |
| 2010 Bonds                   | 29,765,000                 |
| 2011 Bonds <sup>(3)</sup>    | 5,940,000                  |
| 2014 Bonds                   | <u>28,130,000</u>          |
| Total                        | \$138,925,000              |

<sup>(1)</sup> To be refunded.

<sup>(2)</sup> Shown in audit as aggregate or “Loans Payable.”

<sup>(3)</sup> Subordinate bonds.

Source: County of Riverside.

## Assessed Valuation

Due to the impact of general economic stress in California, and certain property assessment policies of the County (see, "Proposition 8 Assessment Reductions and Restorations," herein) which allowed for blanket reductions in assessed valuations in the Project Area, taxable values in the Project Area declined by 9.45% in 2010-11. The Project Area also experienced declines in incremental value of 3.45% for 2011-12 and 0.21% for 2013-14. Values increased for 2014-15 by 7.24% and 5.39% in 2015-16. The base year value is 9.0% of the total taxable value in the Project Area for 2015-16. Table 14 sets forth Project Area assessed valuations for the past ten fiscal years.

**TABLE 15**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Desert Communities Redevelopment Project Area**  
**Historical Assessed Values**  
**(Fiscal Years 2011-12 through 2015-16)**

| <b>Roll</b>              | <b>2011-12</b>  | <b>2012-13</b>   | <b>2013-14</b>   | <b>2014-15</b>   | <b>2015-16</b>   |
|--------------------------|-----------------|------------------|------------------|------------------|------------------|
| Secured <sup>(1)</sup>   |                 |                  |                  |                  |                  |
| - Land                   | \$ 921,843,736  | \$ 902,853,816   | \$ 903,642,309   | \$ 961,518,199   | \$ 1,032,449,906 |
| - Improvements           | 1,352,772,344   | 1,364,109,301    | 1,374,565,402    | 1,456,064,656    | 1,550,464,803    |
| - Personal Property      | 8,454,089       | 7,017,953        | 6,074,707        | 7,648,582        | 7,070,611        |
| - Exemptions             | (21,680,120)    | (18,406,425)     | (25,569,988)     | (26,617,006)     | -27,679,798      |
| Secured Total            | \$2,261,390,049 | \$ 2,255,574,645 | \$ 2,258,712,430 | \$ 2,398,614,431 | \$ 2,562,305,522 |
| Unsecured                |                 |                  |                  |                  |                  |
| - Land                   | \$ 333,939      | \$ 48,446        | \$ 23,078        | \$ 23,078        | \$ 23,078        |
| - Improvements           | 21,202,631      | 24,106,807       | 28,977,763       | 19,337,106       | 25,424,570       |
| - Personal Property      | 49,701,389      | 59,701,501       | 46,135,424       | 88,209,388       | 49,891,186       |
| - Exemptions             | 0               | (773,217)        | (1,590)          | (3,351,513)      | 26,500           |
| Unsecured Total          | \$ 71,237,959   | \$ 83,083,537    | \$ 75,134,675    | \$ 104,218,059   | \$ 75,365,334    |
| Utility                  |                 |                  |                  |                  |                  |
| - Land                   | \$ 91,320       | \$ 79,061        | \$ 79,061        | \$ 79,061        | \$ 79,061        |
| - Improvements           | 0               | 0                | 0                | 0                | 0                |
| - Personal Property      | 0               | 0                | 0                | 0                | 0                |
| - Exemptions             | 0               | 0                | 0                | 0                | 0                |
| Utility Total            | \$ 91,320       | \$ 79,061        | \$ 79,061        | \$ 79,061        | \$ 79,061        |
| Totals:                  | \$2,332,719,328 | \$2,338,737,243  | \$2,333,926,166  | \$2,502,911,551  | \$ 2,637,749,917 |
| Percent Change           | -3.45%          | 0.26%            | -0.21%           | 7.24%            | 5.39%            |
| Plus: HOPTR AV*          | \$ 11,294,154   | \$ 11,001,119    | \$ 11,044,009    | \$ 10,985,310    | \$ 11,040,718    |
| Less: Base AV            | 217,598,873     | 215,826,617      | 215,826,617      | 215,826,617      | 215,826,617      |
| Incremental AV:          | \$2,126,414,609 | \$2,133,911,745  | \$2,129,143,558  | \$2,298,070,244  | \$ 2,432,964,018 |
| Incremental Revenue (1%) | \$ 21,264,146   | \$ 21,339,117    | \$ 21,291,436    | \$ 22,980,702    | \$ 24,329,640    |

\* The Homeowner's Property Tax Relief exemption, reimbursed by the state.

<sup>(1)</sup> The table excludes sub-areas that did not generate tax increment in a given year. These excluded areas may vary by year. FY2015-16 figures exclude the following sub-areas that did not generate tax increment in that year: DCPA (North Shore), DCPA Amend 2 (100 Palms/Oasis).

Source: Urban Analytics.



## **Proposition 8 Assessment Reductions And Restorations**

Proposition 8 amended the Revenue and Taxation Code to allow for reduction of a property's taxable value when the property's market value drops below the inflation adjusted base value for that property. Once reduced, the Riverside County Office of the Assessor (the "Assessor") is required to revalue the property each year and enroll the lesser of the current market value of the property or its original inflation adjusted base value. If a property that has been reduced in value under Proposition 8 is sold, its value is reset based upon the sales price and this new value is no longer subject to annual revaluation under Proposition 8.

The Assessor annually reports on the number of assessments by city and unincorporated area subject to Proposition 8 reductions, and the amount of Proposition 8 reductions (these figures are reported by tax rate district rather than by sub-area and include areas outside of the Desert Communities Project Area). The Assessor reports 10,376 properties reduced through Proposition 8 in Fiscal Year 2015-16 in the principal tax rate districts within the Desert Communities Project Area with \$929,411,545 in reduced valuation. This compares to 15,168 properties and \$2,509,620,594 in Proposition 8 reductions in Fiscal Year 2014-15 and 19,914 properties and \$3,382,015,674 in Proposition 8 reductions in Fiscal Year 2013-14. While these figures include properties outside of the Desert Communities Project Area, they indicate that Proposition 8 reductions have significantly decreased in value for Fiscal Years 2013-14 through 2015-16. Additionally, based upon a sampling of individual parcels in the Project Area, the Fiscal Consultant concluded that it is likely that a substantial portion of the increase in assessed valuation of the Desert Communities Project Area is due to the restoration of assessed valuation of properties that had previously been reduced due to Proposition 8. The Assessor does not indicate on the rolls that parcels are subject to Proposition 8.

### **Assessed Valuation Appeals**

There are currently 126 pending appeals within the Desert Communities Project Area. In order to estimate the potential reduction in assessed value that may occur as a result of these pending appeals, the fiscal consultant reviewed the historical averages for the number of appeals allowed and the amount of assessed value removed and then applied those averages to the currently pending appeals and estimated the number of pending appeals that may be allowed and the amount of assessed value that may be removed as a result of the pending appeals.

Three of the Project Area's top ten taxpayers have appealed their assessed value as shown in Table 15. The estimated impact of value losses resulting from these pending appeals has not been incorporated into the projected revenues of the Project Area. See " – Desert Communities Redevelopment Project," herein.

**TABLE 16  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE  
Desert Communities Redevelopment Project Area  
Assessment Appeals by Large Taxpayers**

| <u>Roll Year</u> | <u>Owner Name<sup>(1)</sup></u> | <u>Status</u> | <u>County<br/>Valuation</u> | <u>Applicant<br/>Opinion of<br/>Value</u> | <u>Valuation<br/>After Appeal</u> |
|------------------|---------------------------------|---------------|-----------------------------|---|-----------------------------------|
| 2013-14          | LUCKY STORES INC LSE            | 2 Resolved    | \$ 3,606,346                | \$ 2,000,000                              | \$ 3,606,346                      |
| 2012-13          | LUCKY STORES INC LSE            | 2 Resolved    | 3,535,635                   | 2,000,000                                 | 3,080,707                         |
| 2012-13          | RALPHS GROCERY CO               | 3 Resolved    | 9,962,329                   | 8,540,387                                 | 9,962,329                         |
| 2011-12          | 42 WASHINGTON SQUARE            | 5 Resolved    | 7,307,644                   | 3,654,000                                 | 7,307,644                         |
| 2011-12          | LUCKY STORES INC LSE            | 1 Resolved    | 14,494,820                  | 10,800,000                                | 14,494,820                        |
| 2011-12          | RALPHS GROCERY CO               | 3 Resolved    | 10,077,266                  | -   | 10,077,266                        |
| 2010-11          | 42 WASHINGTON SQUARE            | 5 Resolved    | 7,253,040                   | 4,353,000                                 | 7,253,040                         |
| 2010-11          | LUCKY STORES INC LSE            | 4 Resolved    | 20,086,405                  | 9,750,000                                 | 20,086,405                        |
| 2010-11          | RALPHS GROCERY CO               | 3 Resolved    | 11,103,203                  | 7,299,990                                 | 11,103,203                        |

<sup>(1)</sup> Appeals filed on properties owned by the ten largest owners for 2015-16. Data is current as of March 26, 2015. Table excludes the following sub-areas that did not generate tax increment in FY2015-16: DCPA (North Shore) and DCPA Amend 2 (100 Palms/Oasis).

Source: Riverside County Assessor.

The following table shows the amount of assessed value that is presently under appeal within the Desert Communities Project Area and the estimated reduction of value that has been factored into the projections for 2015-16. The assessment appeals data below reflects appeals filed for Fiscal Years 2005-06 through 2014-15. The disputed amounts will be resolved in the appeals process and some portion of those amounts may be adjusted. To provide some indication of the proportion of valuation upheld on appeal, Table 16 provides information on resolved appeals filed in previous years in the Desert Communities Project Area. Overall, the 2,683 appeals settled in the Desert Communities Project Area during the Fiscal Year 2005-06 to Fiscal Year 2014-15 period resulted in reductions in valuation of \$67.4 million out of \$1.41 billion in enrolled valuation subject to appeals, or around 5%. The overall retention rate has been calculated by the Fiscal Consultant to be approximately 95% of the original valuation.

Applying the 95% retention rate for resolved appeals to the appeals indicates a potential valuation reduction of \$7.7 million or approximately \$77,000 in tax revenue. If the full amount of disputed valuation were granted, the reduction in valuation would be \$70.7 million or approximately \$707,000 in tax revenue. As noted below under “ – Desert Communities Redevelopment Project” no assumptions are made regarding any potential appeal-related adjustments to Project Area valuation.

**TABLE 17**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Desert Communities Redevelopment Project Area**  
**Estimated Appeals Loss**  
**Fiscal Year 2015-16**

| <u>Roll Year</u> | <u>Status</u> <sup>(1)</sup> | <u>Number of Appeals</u> | <u>County Valuation</u> <sup>(2)</sup> | <u>Applicant Opinion of Value</u> | <u>Valuation After Appeal</u> | <u>Retention Rate</u> <sup>(3)</sup> |
|------------------|------------------------------|--------------------------|--|-----------------------------------|-------------------------------|--------------------------------------|
| 2014-15          | Resolved                     | 6                        | \$ 4,739,759                           | 3,216,380                         | 4,739,759                     | 100%                                 |
| 2014-15          | Pending                      | 60                       | 64,986,008                             | 40,727,007                        | -                             | TBD                                  |
| 2013-14          | Resolved                     | 49                       | 46,911,867                             | 26,645,354                        | 44,991,727                    | 96%                                  |
| 2013-14          | Pending                      | 24                       | 25,585,351                             | 14,084,321                        | -                             | TBD                                  |
| 2012-13          | Resolved                     | 99                       | 120,241,876                            | 61,668,032                        | 114,051,692                   | 95%                                  |
| 2012-13          | Pending                      | 15                       | 24,455,737                             | 9,865,048                         | -                             | TBD                                  |
| 2011-12          | Resolved                     | 156                      | 175,825,204                            | 102,278,648                       | 169,967,212                   | 97%                                  |
| 2011-12          | Pending                      | 9                        | 10,798,356                             | 1,168,907                         | -                             | TBD                                  |
| 2010-11          | Resolved                     | 288                      | 234,053,685                            | 131,596,853                       | 223,436,766                   | 95%                                  |
| 2010-11          | Pending                      | 6                        | 10,869,666                             | 7,133,487                         | -                             | TBD                                  |
| 2009-10          | Resolved                     | 863                      | 337,065,583                            | 197,804,290                       | 322,231,704                   | 96%                                  |
| 2009-10          | Pending                      | 8                        | 14,589,862                             | 10,403,467                        | -                             | TBD                                  |
| 2008-09          | Resolved                     | 719                      | 324,696,874                            | 207,613,507                       | 305,127,811                   | 94%                                  |
| 2008-09          | Pending                      | 4                        | 9,386,593                              | 6,570,615                         | -                             | TBD                                  |
| 2007-08          | Resolved                     | 418                      | 88,527,479                             | 43,673,213                        | 80,093,567                    | 90%                                  |
| 2007-08          | Pending                      | -                        | -                                      | -                                 | -                             | -                                    |
| 2006-07          | Resolved                     | 55                       | 44,361,078                             | 25,489,664                        | 44,361,078                    | 100%                                 |
| 2006-07          | Pending                      | -                        | -                                      | -                                 | -                             | -                                    |
| 2005-06          | Resolved                     | 30                       | 30,051,147                             | 14,960,680                        | 30,001,147                    | 100%                                 |
| 2005-06          | Pending                      | -                        | -                                      | -                                 | -                             | -                                    |
| All Years        | Resolved                     | 2,683                    | 1,406,474,552                          | 814,946,621                       | 1,339,002,463                 | 95%                                  |
| All Years        | Pending                      | 126                      | 160,671,573                            | 89,952,852                        | TBD                           | TBD                                  |

<sup>(1)</sup> Data is current as of March 26, 2015.

<sup>(2)</sup> Table excludes the following sub-areas that did not generate tax increment in FY2015-16: DCPA (North Shore) and DCPA Amend 2 (100 Palms/Oasis).

<sup>(3)</sup> Expressed as a percentage. Retention Rate is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the "Valuation After Appeal" into the "County Valuation." For withdrawn and denied appeals, the "Valuation After Appeal" is the original County valuation.

Source: Riverside County Assessor; Urban Analytics.

## Property Value by Land Use

Taxable values in the Desert Communities Project Area are diversified with residential property values making up 64.5% of all value. Industrial uses account for 4.8% of the Desert Communities Project Area taxable values and commercial uses account for 9.9%. Together, these four land use categories account for 79.2% of all taxable value in the Desert Communities Project Area.

The following table illustrates the land use of property within the entire Desert Communities Project Area and its assessed value.

**TABLE 18**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Desert Communities Redevelopment Project Area**  
**Land Use Statistics**  
**(Fiscal Year 2015-16)**

| <u>Land Use</u>           | <u>Secured AV</u> <sup>(1)</sup> | <u>Pct of AV</u> | <u>Number of Parcels</u> | <u>Pct of Parcels</u> | <u>Acres</u> <sup>(2)</sup> | <u>Pct of Acres</u> |
|---------------------------|----------------------------------|------------------|--------------------------|-----------------------|-----------------------------|---------------------|
| Agricultural              | \$ 187,408,447                   | 7.3%             | 408                      | 4.6%                  | 3,802                       | 13.8%               |
| Commercial                | 253,381,056                      | 9.9%             | 324                      | 3.6%                  | 1,164                       | 4.2%                |
| Industrial                | 122,270,368                      | 4.8%             | 101                      | 1.1%                  | 131                         | 0.5%                |
| Single-Family Residential | 1,652,730,968                    | 64.5%            | 4,016                    | 45.1%                 | 424                         | 1.5%                |
| Condominiums              | 85,228                           | 0.0%             | 3                        | 0.0%                  | 2                           | 0.0%                |
| Other Residential         | 45,569,494                       | 1.8%             | 567                      | 6.4%                  | 1,411                       | 5.1%                |
| Vacant                    | 240,720,810                      | 9.4%             | 3,125                    | 35.1%                 | 3,213                       | 11.6%               |
| Other                     | 60,139,151                       | 2.3%             | 356                      | 4.0%                  | 17,445                      | 63.2%               |
| <b>Total</b>              | <b>\$2,562,305,522</b>           | <b>100.0%</b>    | <b>8,900</b>             | <b>100.0%</b>         | <b>27,590</b>               | <b>100.0%</b>       |

<sup>(1)</sup> Valuations include homeowner's exemptions, which are restored by the Auditor prior to the calculation of tax increment. Table excludes the following sub-areas that did not generate tax increment in FY2015-16: DCPA (North Shore) and DCPA Amend 2 (100 Palms/Oasis).

<sup>(2)</sup> Acreage is estimated using tax roll data and information provided by the Agency.  
 Source: County Assessor, Urban Analytics.

## Plan Limitations

The following Table 18 is a summary of the plan limitations of the Desert Communities Project Area and its Sub-Areas.

**TABLE 19**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Summary of Desert Communities Project Area**  
**and Constituent Sub-Areas<sup>(1)</sup>**

|   | <u>Date of Adoption</u> | <u>Ordin. Number</u> | <u>Termination of Plan Activities</u> | <u>Last Date to Repay Debt<sup>(3)</sup></u> | <u>Tax Increment Limit (Millions)<sup>(4)</sup></u> | <u>Bonded Debt Limit (Millions)</u> | <u>Acreage</u> | <u>Sub-Area Tax Increment As Percent of Project Area Total</u> | <u>Volatility Ratio<sup>(5)</sup></u> |
|---|-------------------------|----------------------|---------------------------------------|--|---|-------------------------------------|----------------|--|---------------------------------------|
| <b>Desert Communities Project Area</b>  |                         |                      |                                       |  |   |                                     |                |  |                                       |
| 4-1986 (East Blythe)                    | 12/23/1986              | 638                  | 12/23/2027                            | 12/23/2037                                   | \$900   | \$373.0                             | 20,155         | 89%  | 0.06                                  |
| 4-1986 (1000 Palms)                     | 12/23/1986              | 638                  | 12/23/2027                            | 12/23/2037                                   | 150   | 45.0                                | 285            | 3%   | 0.12                                  |
| 4-1999 (Amendment)                      | 07/20/1999              | 794                  | 07/20/2030                            | 07/20/2045                                   | -   | 45.0                                | 408            | 5%   | 0.33                                  |
| 4-1987 (Desert Center)                  | 12/22/1987              | 647                  | 12/22/2028                            | 12/22/2038                                   | 140   | 17.5                                | 376            | 0%   | 0.52                                  |
| 4-1988 (Airports)                       | 12/19/1988              | 668                  | 12/19/2029                            | 12/19/2039                                   | 360   | 95.0                                | 6,366          | 3%   | 0.16                                  |
| 4-2009 (100 Palms/Oasis) <sup>(2)</sup> | 01/13/2009              | 886                  | 01/13/2039                            | 01/13/2054                                   | 900   | 73.0                                | 2,078          | (NA)   | (NA)                                  |

<sup>(1)</sup> Sub-Area names have been shortened for presentation purposes.

<sup>(2)</sup> This Sub-Area has a debt incurrence limit of 01/13/2029; 2010-11 assessed value is less than the base year value for the Sub-Area; consequently, the Agency receives no tax increment from this Sub-Area, and the Sub-Area is excluded from the following tables in this Official Statement.

<sup>(3)</sup> The Agency amended the pre-1994 plans on November 29, 1994 (Ordinance 750) to bring them into conformance with the requirements of AB1290. The plan limits shown above reflect the changes made through that ordinance. The Agency has extended by one year the Termination of Plan Activities and the Last Date to Repay Indebtedness as permitted under SB1045; dates reflect this extension.

<sup>(4)</sup> Under a two percent growth assumption, tax increment collected in the Sub-Areas subject to a Tax Increment Limit is not expected to reach such Tax Increment Limit prior to the plan limits of each Sub-Area. Under a three percent annual growth scenario, tax increment collected in the East Blythe Sub-Area is expected to reach the tax increment cap for that area in Fiscal Year 2036-37, the year that the original plan limit is reached, and in Fiscal Year 2031-32 under a seven percent rate of growth.

<sup>(5)</sup> The Volatility Ratio is calculated by dividing the base year assessed valuation by the current year assessed valuation. The volatility ratio for the Project Area is 0.08%.

Source: Urban Analytics, LLC.

The volatility ratio shown in Table 18 is the proportion of total assessed valuation accounted for by the base year valuation, and reflects the degree of exposure of tax increment to changes in total valuation. A high volatility ratio indicates that a small percentage change in overall assessed valuation would cause a disproportionately large percentage change in tax increment, while a low volatility ratio suggests that a percentage change in overall assessed valuation would cause a similar percentage change in tax increment. Recently-formed redevelopment areas tend to have a high volatility ratio as their total assessed valuation remains close to the base year valuation; their volatility ratio decreases as assessed valuation grows. The volatility ratio for the Desert Communities Project Area is 0.08%.

## **Desert Communities Redevelopment Project Area Estimated Revenues And Bond Retirement**

The Successor Agency has retained Urban Analytics, LLC, San Francisco, California (the “Fiscal Consultant”), to analyze the Project Area and to project future tax increment revenues for the Desert Communities Redevelopment Project Area. The Fiscal Consultant’s report is included as Appendix A and should be read in its entirety.

For purposes of projecting Tax Revenues, the Fiscal Consultant has made the following assumptions:

(1) The Fiscal Consultant assumed that the tax rate in the Desert Communities Redevelopment Project Area is 1% with no tax rate overrides.

(2) County administrative fee is estimated to be 1.50% of tax increment revenue in the Project Area and is shown in Table 19.

(3) Tax increment revenue is projected to increase at a 2% annual growth rate. Table 19 excludes North Shore and 100 Palms/Oasis Sub-Areas, which do not generate tax increment.

(4) Tax increment revenues do not include any adjustment for delinquencies, refunds, or rebates. See “Property Taxes; Teeter Plan,” herein.

(5) Net tax increment deducts a proportionate share of the Successor Agency’s debt service obligation on outstanding housing bonds allocated based on the Desert Communities Redevelopment Project Area’s tax increment, but does not include a deduction of any other amounts that, prior to dissolution, were required to be deposited in the Former Agency’s Low and Moderate Income Housing Fund.

(6) Projections assume that statutory tax sharing payments are subordinate to debt service.

(7) Projections do not take into consideration any changes in assessed valuation due to new construction, property sales, Proposition 8 reduction or assessment appeals.

(8) Senior passthrough payments are according to agreements described under “Pass-Through Agreements and Statutory Tax Sharing Payments,” herein.

(9) The 20% low and moderate housing set aside was eliminated with the Dissolution Act. Were the set aside still in effect, the amount of tax increment deposited in the low and moderate income Housing Fund would have been 20% of the gross tax increment less the County Administration fee. A proportionate share of Agency’s Housing Bond debt service is deducted based on the Project Area’s tax increment in proportion to other Agency Project Areas.

Actual levels of future tax increment revenues will depend upon the rate of growth in tax increment resulting from new development, change of ownership and inflation, and changes in tax rates, and may differ from the projections presented herein. The Desert Communities Redevelopment Project Area has various sub areas with differing time limits, volatility ratios and tax increment limits which may be reached prior to the repayment of the Bonds. See Table 18 herein. See also the Fiscal Consultant’s Report attached hereto as Appendix A.

It should also be noted that the last date to repay indebtedness in the Sub-Areas within the Desert Communities Redevelopment Project Area is, for each Sub-Area, after the stated maturity date of the 2015 Series D Bonds. However, each of the Sub-areas has a tax increment cap. However, under a three percent annual growth scenario, tax increment collected in the East Blythe sub-area is expected to reach the tax increment cap for that area in Fiscal Year 2036-37, the year that the original plan limit is reached, and in Fiscal Year 2031-32 under a seven percent rate of growth.

**TABLE 20**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Desert Communities Redevelopment Project Area**  
**Estimated Tax Increment Revenues<sup>(1)</sup>**  
**Fiscal Years 2015-16 through 2044-45**  
**(In Thousands)**

| <u>Fiscal Year</u> | <u>Gross Tax Increment</u> | <u>Project Area Share of Housing Debt Service</u> | <u>Senior Pass-Through Payments</u> | <u>County Administrative Fee</u> | <u>Net Tax Increment</u> |
|--------------------|----------------------------|---|-------------------------------------|----------------------------------|--------------------------|
| 2015/16            | \$24,415,521               | \$(3,180,080)                                     | \$(6,211,455)                       | \$(366,233)                      | \$14,657,754             |
| 2016/17            | 24,928,797                 | (3,167,402)                                       | (6,339,541)                         | (373,932)                        | 15,047,923               |
| 2017/18            | 25,452,340                 | (3,153,288)                                       | (6,470,189)                         | (381,785)                        | 15,447,078               |
| 2018/19            | 25,986,352                 | (3,140,442)                                       | (6,603,449)                         | (389,795)                        | 15,852,666               |
| 2019/20            | 26,531,046                 | (3,128,211)                                       | (6,739,375)                         | (397,966)                        | 16,265,494               |
| 2020/21            | 27,086,633                 | (3,114,957)                                       | (6,878,020)                         | (406,299)                        | 16,687,357               |
| 2021/22            | 27,653,331                 | (3,103,727)                                       | (7,019,437)                         | (414,800)                        | 17,115,367               |
| 2022/23            | 28,231,364                 | (3,092,070)                                       | (7,163,683)                         | (423,470)                        | 17,552,141               |
| 2023/24            | 28,820,958                 | (3,080,274)                                       | (7,310,813)                         | (432,314)                        | 17,997,556               |
| 2024/25            | 29,422,343                 | (3,070,434)                                       | (7,460,886)                         | (441,335)                        | 18,449,687               |
| 2025/26            | 30,035,756                 | (3,059,652)                                       | (7,613,961)                         | (450,536)                        | 18,911,607               |
| 2026/27            | 30,661,437                 | (3,049,248)                                       | (7,770,097)                         | (459,922)                        | 19,382,170               |
| 2027/28            | 31,299,632                 | (3,026,158)                                       | (7,929,356)                         | (469,494)                        | 19,874,624               |
| 2028/29            | 31,950,591                 | (3,094,874)                                       | (8,091,800)                         | (479,259)                        | 20,284,658               |
| 2029/30            | 32,614,569                 | (3,084,729)                                       | (8,257,493)                         | (489,219)                        | 20,783,129               |
| 2030/31            | 33,291,826                 | (3,073,482)                                       | (8,426,500)                         | (499,377)                        | 21,292,467               |
| 2031/32            | 33,982,629                 | (3,064,829)                                       | (8,598,887)                         | (509,739)                        | 21,809,173               |
| 2032/33            | 34,687,247                 | (3,053,534)                                       | (8,774,721)                         | (520,309)                        | 22,338,684               |
| 2033/34            | 35,405,958                 | (3,045,279)                                       | (8,954,073)                         | (531,089)                        | 22,875,518               |
| 2034/35            | 26,713,182                 | (2,388,242)                                       | (6,598,006)                         | (400,698)                        | 17,326,236               |
| 2035/36            | 4,127,739                  | (425,634)   | (499,440)                           | (61,916)                         | 3,140,749                |
| 2036/37            | 4,219,954                  | (424,628)   | (509,163)                           | (63,299)                         | 3,222,864                |
| 2037/38            | 3,195,711                  | (221,253)   | (237,446)                           | (47,936)                         | 2,689,076                |
| 2038/39            | 3,182,983                  | (214,152)   | (231,043)                           | (47,745)                         | 2,690,043                |
| 2039/40            | 2,329,453                  | (145,420)   | -                                   | (34,942)                         | 2,149,091                |
| 2040/41            | 2,386,316                  | (123,372)   | -                                   | (35,795)                         | 2,227,150                |
| 2041/42            | 2,444,317                  | (123,195)   | -                                   | (36,665)                         | 2,284,457                |
| 2042/43            | 2,503,478                  | -   | -                                   | (37,552)                         | 2,465,926                |
| 2043/44            | 2,563,822                  | -   | -                                   | (38,457)                         | 2,525,365                |
| 2044/45            | 2,625,373                  | -   | -                                   | (39,381)                         | 2,585,993                |

<sup>(1)</sup> See prior page for assumptions used in projections.  
Source: Urban Analytics.

The following Table 20 projects debt service coverage for the Bonds showing only projected net tax increment revenue and Tax Revenues.

**TABLE 21**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Desert Communities Redevelopment Project Area**  
**Estimated Debt Service Coverage**  
**Fiscal Years 2015-16 through 2036-37**  
**(In Thousands)**

| <u>Fiscal Year</u> <sup>(1)</sup> | <u>Net Tax Increment</u> <sup>(2)</sup> | <u>Outstanding Senior Bonds Debt Service</u> | <u>Series 2015 Bonds Debt Service*</u> | <u>Senior Bonds Debt Service*</u> | <u>Senior Bonds Coverage*</u> | <u>Subordinate Debt Service</u> | <u>Total Debt Service*</u> | <u>Total Debt Service Coverage*</u> |
|-----------------------------------|---|--|--|-----------------------------------|-------------------------------|---------------------------------|----------------------------|-------------------------------------|
| 2015/16                           | \$14,657,754                            | \$8,678,982                                  | \$ 968,200                             | \$9,647,182                       | 1.52x                         | \$532,100                       | \$10,179,282               | 1.44x                               |
| 2016/17                           | 15,047,923                              | 8,675,482                                    | 968,300                                | 9,643,782                         | 1.56x                         | 528,975                         | 10,172,757                 | 1.48x                               |
| 2017/18                           | 15,447,078                              | 8,678,544                                    | 969,700                                | 9,648,244                         | 1.60x                         | 530,525                         | 10,178,769                 | 1.52x                               |
| 2018/19                           | 15,852,666                              | 8,679,094                                    | 970,500                                | 9,649,594                         | 1.64x                         | 526,425                         | 10,176,019                 | 1.56x                               |
| 2019/20                           | 16,265,494                              | 8,674,957                                    | 967,000                                | 9,641,957                         | 1.69x                         | 532,000                         | 10,173,957                 | 1.60x                               |
| 2020/21                           | 16,687,357                              | 8,680,207                                    | 962,750                                | 9,642,957                         | 1.73x                         | 531,600                         | 10,174,557                 | 1.64x                               |
| 2021/22                           | 17,115,367                              | 8,680,957                                    | 962,750                                | 9,643,707                         | 1.77x                         | 530,550                         | 10,174,257                 | 1.68x                               |
| 2022/23                           | 17,552,141                              | 8,683,182                                    | 961,750                                | 9,644,932                         | 1.82x                         | 528,400                         | 10,173,332                 | 1.73x                               |
| 2023/24                           | 17,997,556                              | 8,682,901                                    | 964,750                                | 9,647,651                         | 1.87x                         | 530,575                         | 10,178,226                 | 1.77x                               |
| 2024/25                           | 18,449,687                              | 8,680,451                                    | 961,500                                | 9,641,951                         | 1.91x                         | 526,738                         | 10,168,689                 | 1.81x                               |
| 2025/26                           | 18,911,607                              | 8,675,194                                    | 967,250                                | 9,642,444                         | 1.96x                         | 532,225                         | 10,174,669                 | 1.86x                               |
| 2026/27                           | 19,382,170                              | 8,676,819                                    | 966,500                                | 9,643,319                         | 2.01x                         | 526,363                         | 10,169,682                 | 1.91x                               |
| 2027/28                           | 19,874,624                              | 8,679,588                                    | 964,500                                | 9,644,088                         | 2.06x                         | 529,213                         | 10,173,301                 | 1.95x                               |
| 2028/29                           | 20,284,658                              | 8,676,213                                    | 966,250                                | 9,642,463                         | 2.10x                         | 530,663                         | 10,173,126                 | 1.99x                               |
| 2029/30                           | 20,783,129                              | 8,674,694                                    | 966,500                                | 9,641,194                         | 2.16x                         | 530,713                         | 10,171,907                 | 2.04x                               |
| 2030/31                           | 21,292,467                              | 8,675,613                                    | 970,250                                | 9,645,863                         | 2.21x                         | 529,363                         | 10,175,226                 | 2.09x                               |
| 2031/32                           | 21,809,173                              | 8,675,725                                    | 967,250                                | 9,642,975                         | 2.26x                         | 526,613                         | 10,169,588                 | 2.14x                               |
| 2032/33                           | 22,338,684                              | 8,675,338                                    | 967,750                                | 9,643,088                         | 2.32x                         | 531,600                         | 10,174,688                 | 2.20x                               |
| 2033/34                           | 22,875,518                              | 8,477,075                                    | 1,166,500                              | 9,643,575                         | 2.37x                         | 529,413                         | 10,172,988                 | 2.25x                               |
| 2034/35                           | 17,326,236                              | 8,476,050                                    | 1,163,500                              | 9,639,550                         | 1.80x                         | 530,413                         | 10,169,963                 | 1.70x                               |
| 2035/36                           | 3,140,749                               | 8,478,075                                    | 1,163,250                              | 9,641,325                         | 0.33x                         | 529,238                         | 10,170,563                 | 0.31x                               |
| 2036/37                           | 3,222,864                               | 8,475,450                                    | 1,165,500                              | 9,640,950                         | 0.33x                         | 530,888                         | 10,171,838                 | 0.32x                               |

<sup>(1)</sup> See Table 19 for details.

<sup>(2)</sup> Tax Increment shown for projecting coverage relates only to the Project Area. However, all amounts deposited in the RPTTF are available to pay debt service on the Bonds after all other debt service obligations and senior obligations are satisfied. See "SECURITY FOR THE BONDS – Real Property Tax Trust Fund," and "– Security for the Bonds."

Source: Urban Analytics, LLC.

\* Preliminary, subject to change.



## INTERSTATE 215 CORRIDOR REDEVELOPMENT PROJECT AREA

### General

The Interstate 215 Corridor Project Area was originally comprised of two project areas: Project Areas Nos. 5-1986 and 5-1987. The Board approved Project Area No. 5 on December 23, 1986 via Ordinance No. 639, and it included five sub-areas: Calimesa, Highgrove, Lakeview, Mead Valley and Romoland. In November of 1998, the Board approved an amendment to the Project Area to include additional territory in the Highgrove Sub-Area. Approximately 843 acres were added immediately adjacent to the existing project area. Project Area No. 5-1987 consisted of one sub-area in the community of Mead Valley and was approved by the Board on December 1, 1987 via Ordinance No. 648. The Project Area was amended to include additional territory on June 27, 1989 via Ordinance No. 715.

Both project areas were amended and merged on July 25, 2002 via Ordinance No. 821 and 822, respectively. Approximately 1,392 acres were added to the Romoland Sub-Area. The Mead Valley Sub-Area was also expanded and included the addition of 3,200 acres. The amended areas of both sub-areas are contiguous with the existing sub-area boundaries.

In 2006, Amendment No. 1a and Amendment No. 1b were adopted in the Project Area. Amendment No. 1a was adopted on May 16, 2006, and added approximately 2,820 acres of territory in the communities of Lakeview/Nuevo to the I-215. Amendment No. 1b was adopted on May 2, 2006, and added 3,289 acres of additional territory in the communities of Sun City/Quail Valley into the Project Area. The total acreage for the Project Area is 15,830 acres.

**Calimesa.** The Calimesa Sub-Area is comprised of 170 acres located along Interstate 10 between Sandalwood drive and County Line Road. The Sub-Area primarily consists of commercial and light industrial uses. A number of residences can be found along the east and northeast parts of the area. This Sub-Area was transferred to the City of Calimesa in 1999.

**Highgrove.** The original Sub-Area contained 275 acres. On November 24, 1998, the Board approved an amendment to the Project Area to add approximately 843 acres to the Highgrove Sub-Area for a total of 1,118 acres. The area is characterized by older residential, neighborhood commercial and industrial development. Commercial development is primarily service-oriented serving the local community as well as the nearby cities of Riverside and Grand Terrace. Industrial development in the area began as a conglomeration of citrus packing facilities serving the citrus farms located at the east end of the community. Today many of these facilities have been converted into a variety of light manufacturing plants since the citrus industry has declined in the region. The Highgrove Sub-Area also includes Hunter park, one of the most prosperous industrial areas in Riverside County which is home to University of California, Riverside Technical Research Park.

**Lakeview.** The community of Lakeview is bisected by the Ramona Expressway and lies east of the City of Perris, west of the cities of Hemet and San Jacinto, and east of Lake Perris State Recreation Area. The Sub-Area includes about 100 acres characterized by older commercial and industrial uses. The community is nestled in a generally flat rural setting and ringed by the Lakeview Mountains to the southeast and the Bernasconi Hills to the northwest. Recreational opportunities include bicycling, hiking and equestrian trails, picnicking, camping, boating, fishing and swimming. Lakeview's rural and agricultural atmosphere, mild climate, and proximity to recreational opportunities are ideal for future large-lot residential development.

**Mead Valley.** The Sub-Area includes 6,563 acres along Interstate 215 between the cities of Riverside and Perris. The Sub-Area is bisected by Cajalco Road which is the major east-west arterial roadway through the community. The Sub-Area includes two large industrial specific plans and a community facilities district has funded all of the necessary infrastructure. The specific plans offer fully improved, ready to build lots from 1 to 40 acres. The Sub-Area primarily consists of large-lot residential development and industrial and commercial properties.

**Romoland.** The Romoland Sub-Area contains 1,939 acres located east of the City of Perris. As mentioned above, approximately 1,392 acres were added to the existing Project Area of 547 acres. The community offers prime freeway frontage with access and visibility from both Highway 74 and Interstate 215, and provides a good location for commercial and industrial uses. Romoland is characterized by older commercial and lower-income housing in the core of the community. Southern California Edison and Eastern Municipal Water District have regional facilities in the area. Romoland’s rural atmosphere, mild climate, and proximity to recreational opportunities are fitting for in-fill and large-lot development. Portions of the sub-area are within the boundaries of the newly incorporated City of Menifee.

**Lakeview/Nuevo.** In 2006, the Agency amended the area and added 2,820 acres of land in the communities of Lakeview and Nuevo. The amendment area is primarily developed with single family residential homes and a small commercial area in the Nuevo area. There are opportunities for infill residential development throughout the area and there is a need for additional commercial development to serve the community.

**Sun City/Quail Valley.** The amendment area is composed of two sub-areas consisting of 3,289 acres in two non-contiguous areas in the Sun City and Quail Valley areas. The Quail Valley area consists of 2,039 acres and is located west of Interstate 215 and lies along Goetz Road between McCall Boulevard and Newport Road. It is primarily residential in nature with some small commercial uses. The Sun City Sub-Area consists of 1,250 acres and lies both east and west of Interstate 215 from Ethanac Road to just south of McCall Boulevard. The area is characterized by a large commercial area in the core of Sun City, commercial areas along Interstate 215 and both residential and industrial uses in the surrounding areas. Portions of the sub-area are located within the boundaries of the newly incorporated City of Menifee.

**Highway 74.** The amendment area was added in 2010 and consists of 5,865 acres.

### **Largest Taxpayers in the Project Areas**

The following table shows the ten largest taxpayers in the Project Area. The Fiscal Consultant has identified the location by Sub-Area for each of the largest property tax payers in the table below. For a brief description of the three largest property tax payers in the Project Area, as well as the locations by Sub-Area, see APPENDIX A – “REPORT OF FISCAL CONSULTANT – Ten Largest Assesseees.”

One large energy facility, the Inland Empire Energy Center, is an 800-megawatt power plant located on 46 acres in the Romoland 2003 Annex sub-area of the Project Area. The power plant, owned by General Electric and operated by Calpine Corporation, was licensed by the California Energy Commission in 2005. Inland Empire energy is a combined cycle gas turbine power plant that uses combustion turbine-generators with heat recovery steam generators. The combined cycle plants are designed to provide steady base load power as opposed to being used intermittently as is the case with “peaker” plants. Unit 1 of the plant’s two 400-megawatt units came online in 2008 while the second unit’s startup was delayed for unspecified repairs; both units were taken offline for further repairs in April 2011. The property was valued at \$346.6 million in Fiscal Year 2014-15. Valuation on this property increased from \$459 million in Fiscal Year 2008-09 to \$748.7 million in Fiscal Year 2009-10 due to construction, decreasing to \$709 million in Fiscal Year 2010-11 as the assessment was adjusted upon construction completion, increasing to \$811 million in Fiscal Year 2011-12 then decreasing to \$577.5 million in Fiscal Year 2012-13, \$346.6 million in Fiscal Year 2014-15 and \$295.0 million in Fiscal Year 2015-16. The reasons for the decrease in the past four years have not been reported either by the plant operator or by the State Board of Equalization

The following table shows the ten largest property owners within the Project Area.

**TABLE 22**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Interstate 215 Corridor Redevelopment Project Area**  
**10 Largest Property Owners by Assessed Value**  
**(Fiscal Year 2015-16)**

| <u>Property Owner</u>            | <u>Secured and Utility<sup>(1)</sup></u> | <u>Unsecured</u>  | <u>Total</u>      | <u>Pct of Total</u> | <u>Sub-Area</u>        | <u>Principal Land Use</u> |
|----------------------------------|--|-------------------|-------------------|---------------------|------------------------|---------------------------|
| INLAND EMPIRE ENERGY CENTER, LLC | \$ 295,000,000                           | -                 | \$ 295,000,000    | 9.33%               | Romoland 2003 Annex    | Power Plant               |
| COLE ID RIVERSIDE CA *           | 95,626,913                               | -                 | 95,626,913        | 3.02%               | Highgrove Amendment 1  | Industrial                |
| KNOX LOGISTICS                   | 78,755,210                               | -                 | 78,755,210        | 2.49%               | Mead Valley 1990 Annex | Industrial                |
| MAJESTIC FREEWAY BUSINESS CENTER | 51,552,047                               | -                 | 51,552,047        | 1.63%               | Mead Valley 1990 Annex | Vacant Land               |
| HALLE PROPERTIES                 | 32,047,913                               | -                 | 32,047,913        | 1.01%               | Mead Valley 1990 Annex | Industrial                |
| CRPF II IOWA                     | 26,351,182                               | -                 | 26,351,182        | 0.83%               | Highgrove Amendment 1  | Industrial                |
| FR CAL HARVILL ROAD              | 24,510,197                               | -                 | 24,510,197        | 0.77%               | Mead Valley            | Vacant Land               |
| PERRIS CITRUS AVENUE STORAGE *   | 23,867,186                               | -                 | 23,867,186        | 0.75%               | Mead Valley            | Industrial                |
| JOHNSON MACHINERY CO             | 10,520,623                               | \$ 13,303,109     | 23,823,732        | 0.75%               | Highgrove Amendment 1  | Industrial                |
| K & N ENGINEERING INC            | <u>2,299,223</u>                         | <u>19,387,532</u> | <u>21,686,755</u> | <u>0.69%</u>        | Highgrove Amendment 1  | Industrial                |
| Total, Top Ten:                  | \$ 640,530,494                           | \$ 32,690,641     | \$ 673,221,135    | 21.28%              |                        |                           |
| Total, Top Twenty:               | \$ 478,629,636                           | \$ 52,289,381     | \$ 530,919,017    | 16.78%              |                        |                           |
| Total, Top Hundred:              | \$ 797,983,543                           | \$107,668,682     | \$ 905,652,225    | 28.63%              |                        |                           |
| Totals for the Area:             | \$2,986,518,808                          | \$176,854,523     | \$ 3,163,373,331  | 100.00%             |                        |                           |

<sup>(1)</sup> Table does not exclude any sub-areas for FY2015-16.

<sup>(2)</sup> Has one or more appeals pending on assessed valuation. See, “- Assessed Valuation Appeals.”

Source: County Assessor, Urban Analytics

## Owner Participation Agreements

The Agency has two development agreements, also known as Owner Participation Agreements (OPAs), relating to various development undertakings in the Interstate 215 Corridor Redevelopment Project Area. These OPAs are paid from the Redevelopment Fund. The Agency has agreements with Community Facilities District 87-1 and Community Facilities District 88-8 which require the reimbursement of tax payments made by certain property owners and which are senior to debt service on the 2015 Series E Bonds. Although the amounts of these payments are subject to the participation of certain property owners and the tax payments made by them, both obligations are tied to the debt service on bonds issued for each of the Districts. Payments to be made under these Owner Participation Agreements are estimated in Table 28 under “Other Senior Obligations.” The Agency has identified no other agreements as having a senior lien on Interstate 215 Corridor Redevelopment Project Area tax increment revenue.

## Successor Agency Indebtedness

In addition to the Bonds, the Agency currently has the following outstanding indebtedness (see APPENDIX C – “Successor Agency Audited Financial Statements for Fiscal Year Ending June 30, 2014” hereto for additional information relating to the payment of indebtedness of the Agency):

A description of outstanding indebtedness of the Agency, other than the 2015 Series E Bonds, as of July 1, 2015 as follows:

**TABLE 23**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Interstate 215 Corridor Redevelopment Project Area**  
**Summary of Outstanding Debt**  
**(As of July 1, 2015)**

|                              | Balance<br><u>July 1, 2014</u> |
|------------------------------|--------------------------------|
| Bonds:                       |                                |
| 2005 Bonds <sup>(1)(4)</sup> | \$ 20,930,000                  |
| 2006 Bonds <sup>(4)</sup>    | 24,980,000                     |
| 2010 Bonds                   | 48,070,000                     |
| 2011 Bonds <sup>(5)</sup>    | 11,739,720                     |
| 2014 Bonds                   | <u>16,545,000</u>              |
| Total                        | \$ 122,264,720                 |
| Development Agreements       |                                |
| CFD 87-1 <sup>(2)</sup>      | \$ 1,923,855                   |
| CFD 88-8 <sup>(3)</sup>      | <u>453,940</u>                 |
| Total Developer Agreement    | \$ 2,377,795                   |
| Total                        | <u><u>\$124,642,515</u></u>    |

<sup>(1)</sup> To be refunded.

<sup>(2)</sup> Expires 2020.

<sup>(3)</sup> Expires 2015.

<sup>(4)</sup> Shown in audited financial statements as “Loans Payable” in aggregate.

<sup>(5)</sup> Subordinate bonds.

Source: County of Riverside.

## Assessed Valuation

Due to the impact of general economic stress in California, assessed values in the Interstate 215 Corridor Redevelopment Project Area declined by 6.50% in Fiscal Year 2010-11. The Interstate 215 Corridor Redevelopment Project Area also experienced a modest increase in assessed value of 3.25% for Fiscal Year 2011-12 and a decrease in assessed value to 27.20% for Fiscal Year 2012-13. Assessed values increased for Fiscal Year 2013-14 and Fiscal Year 2014-15 over 10%. Value increased in 2015-16 by 16.07%. The base year value is 45% of the total taxable value in the Interstate 215 Corridor Redevelopment Project Area for 2015-16. Table 23 sets forth Interstate 215 Corridor Redevelopment Project Area assessed valuation for the past ten fiscal years.

**TABLE 24**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Interstate 215 Corridor Redevelopment Project Area**  
**Historical Assessed Values**  
**(Fiscal Years 2011-12 through 2015-16)**

| <u>Roll</u>                  | <u>2011-12</u>  | <u>2012-13</u>  | <u>2013-14</u>  | <u>2014-15</u>  | <u>2015-16</u>   |
|------------------------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Secured <sup>(1)</sup>       |                 |                 |                 |                 |                  |
| -Land                        | \$ 861,014,206  | \$ 580,178,499  | \$ 774,814,173  | \$ 904,226,875  | \$ 1,137,958,789 |
| -Improvements                | 1,097,382,721   | 765,833,769     | 979,803,613     | 1,354,707,082   | 1,647,072,818    |
| -Personal Property           | 4,889,866       | 2,971,345       | 4,506,838       | 4,691,844       | 6,071,370        |
| -Exemptions                  | (71,957,134)    | (37,672,315)    | (68,153,868)    | (78,814,943)    | -100,297,897     |
| Secured Total                | \$1,891,329,659 | \$1,311,311,298 | \$1,690,970,756 | \$2,184,810,858 | \$ 2,690,805,080 |
| Unsecured                    |                 |                 |                 |                 |                  |
| -Land                        | \$ 439,548      | \$ 584,197      | \$ 0            | \$ 0            | \$ 0             |
| -Improvements                | 76,443,759      | 93,613,948      | 99,679,615      | 97,111,397      | 86,699,380       |
| -Personal Property           | 91,061,347      | 107,011,604     | 93,885,519      | 96,410,749      | 90,199,190       |
| -Exemptions                  | (59,343)        | (350,000)       | 0               | (47,800)        | -44,047          |
| Unsecured Total              | \$ 167,885,311  | \$ 200,859,749  | \$ 193,565,134  | \$ 193,474,346  | \$ 176,854,523   |
| Utility                      |                 |                 |                 |                 |                  |
| -Land                        | \$ 13,554,862   | \$ 13,520,858   | \$ 13,520,858   | \$ 13,520,858   | \$ 13,614,728    |
| -Improvements                | 798,480,000     | 564,599,000     | 427,299,000     | 333,699,000     | 282,099,000      |
| -Personal Property           | 0               | 0               | 0               | 0               | 0                |
| -Exemptions                  | 0               | 0               | 0               | 0               | 0                |
| Utility Total <sup>(2)</sup> | \$ 812,034,862  | \$ 578,119,858  | \$ 440,819,858  | \$ 347,219,858  | \$ 295,713,728   |
| Totals:                      | \$2,871,249,832 | \$2,090,290,905 | \$2,325,355,748 | \$2,725,505,062 | \$ 3,163,373,331 |
| Percent Change               | 3.25%           | (27.20%)        | 11.25%          | 17.21%          | 16.07%           |
| Plus: HOPTR AV*              | \$ 25,892,907   | \$ 15,311,591   | \$ 18,954,430   | \$ 25,219,689   | \$ 31,187,144    |
| Less: Base AV                | 1,067,164,071   | 426,006,823     | 773,125,603     | 1,067,164,071   | 1,408,197,360    |
| Incremental AV:              | \$1,829,978,668 | \$1,679,595,673 | \$1,571,184,575 | \$1,683,560,680 | \$ 1,786,363,115 |
| Incremental Revenue<br>(1%)  | \$ 18,299,787   | \$ 16,795,957   | \$ 15,711,846   | \$ 16,835,607   | \$ 17,863,631    |

\* The Homeowner's Property Tax Relief exemption, reimbursed by the state

(1) The table excludes sub-areas that did not generate tax increment in a given year. These excluded areas may vary by year. Fiscal Year 2015-16 does not exclude any sub-areas.

(2) See "Largest Taxpayers in the Project Area," for a discussion of Inland Empire Energy Center, and its assessed valuation.

Source: County Assessor, Urban Analytics.

## Proposition 8 Assessment Reductions And Restorations

Proposition 8 amended the Revenue and Taxation Code to allow for reduction of a property's taxable value when the property's market value drops below the inflation adjusted base value for that property. Once reduced, the Riverside County Office of the Assessor (the "Assessor") is required to revalue the property each year and enroll the lesser of the current market value of the property or its original inflation adjusted base value. If a property that has been reduced in value under Proposition 8 is sold, its value is reset based upon the sales price and this new value is no longer subject to annual revaluation under Proposition 8.

The Assessor annually reports on the number of assessments by city and unincorporated area subject to Proposition 8 reductions, and the amount of Proposition 8 reductions (these figures are reported by tax rate district rather than by sub-area and include areas outside of the Interstate 215 Corridor Redevelopment Project Area). The Assessor reports 18,444 properties reduced through Proposition 8 in Fiscal Year 2015-16 in the principal tax rate districts within the Interstate 215 Corridor Redevelopment Project Area with \$2,397,664,700 in reduced valuation. This compares to 22,628 properties and \$2,853,121,728 in Proposition 8 reductions in Fiscal Year 2014-15 and 38,498 properties and \$4,680,554,827 in Proposition 8 reductions in Fiscal Year 2013-14. While these figures include properties outside of the Interstate 215 Corridor Redevelopment Project Area, they indicate that Proposition 8 reductions have decreased in value between Fiscal Year 2012-13 and Fiscal Year 2015-16. Additionally, based upon a sampling of individual parcels in the Interstate 215 Corridor Redevelopment Project Area, the Fiscal Consultant concluded that it is likely that a substantial portion of the increase in assessed valuation of the Project Area is due to the restoration of assessed valuation of properties that had previously been reduced due to Proposition 8. The assessor does not indicate on the rolls that parcels are subject to Proposition 8.

### **Assessed Valuation Appeals**

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor, or the Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion. Any reduction in the assessment ultimately granted applies to the year for which application is made and during which the written application was filed. The assessed value may be increased to its pre reduction level for fiscal years following the year for which the reduction application is filed if the real estate market recovers.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Most of the appeals filed in the Interstate 215 Corridor Redevelopment Project Area are based on Section 51 of the Revenue and Taxation Code which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions have taken place in some counties due to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and it may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

There are currently 167 pending appeals within the Interstate 215 Corridor Redevelopment Project Area. In order to estimate the potential reduction in assessed value that may occur as a result of these pending appeals, the fiscal consultant reviewed the historical averages for the number of appeals allowed and the amount of assessed value removed and then applied those averages to the currently pending appeals and estimated the

number of pending appeals that may be allowed and the amount of assessed value that may be removed as a result of the pending appeals.

Four of the Project Area’s top ten taxpayers have pending appeals of their assessed value as shown in Table 24. The estimated impact of value losses resulting from these pending appeals has not been incorporated into the projected revenues of the Interstate 215 Corridor Redevelopment Project Area. See “ESTIMATED REVENUES AND BOND RETIREMENT,” herein.

**TABLE 25**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Interstate 215 Corridor Redevelopment Project Area**  
**Assessment Appeals by Large Taxpayers**

| <u>Roll Year</u> | <u>Owner Name</u> <sup>(1)</sup> | <u>Status</u> | <u>County Valuation</u> <sup>(2)</sup> | <u>Applicant Opinion of Value</u> | <u>Valuation After Appeal</u> |
|------------------|----------------------------------|---------------|--|-----------------------------------|-------------------------------|
| 2014-15          | KNOX LOGISTICS                   | 1 Pending     | \$ 1,435,998                           | \$ 1,076,999                      | TBD                           |
| 2014-15          | PERRIS CITRUS AVENUE STORAGE     | 7 Pending     | 5,326,141                              | 2,663,072                         | TBD                           |
| 2012-13          | COLE ID RIVERSIDE CA             | 1 Pending     | 91,500,000                             | 40,000,000                        | TBD                           |
| 2012-13          | FR CAL HARVILL ROAD              | 15 Resolved   | 20,584,076                             | 10,314,636                        | \$19,967,000                  |
| 2012-13          | JOHNSON MACHINERY CO             | 6 Resolved    | 15,986,776                             | 6,394,707                         | 15,986,776                    |
| 2012-13          | PERRIS CITRUS AVENUE STORAGE     | 9 Resolved    | 11,298,360                             | 5,649,183                         | 7,621,865                     |
| 2011-12          | FR CAL HARVILL ROAD              | 15 Resolved   | 22,548,432                             | 9,013,927                         | 20,962,000                    |
| 2011-12          | PERRIS CITRUS AVENUE STORAGE     | 4 Resolved    | 16,329,989                             | 8,164,993                         | 14,530,989                    |
| 2010-11          | FR CAL HARVILL ROAD              | 13 Resolved   | 22,605,789                             | 4,513,000                         | 20,419,326                    |
| 2010-11          | PERRIS CITRUS AVENUE STORAGE     | 3 Resolved    | 21,346,187                             | 10,568,654                        | 15,593,470                    |

<sup>(1)</sup> Appeals filed on properties owned by the ten largest owners for 2014-15. Data is current as of June 30, 2014.

<sup>(2)</sup> Table excludes the following sub-area that did not generate tax increment in FY2014-15: Highway 74 Communities.

Source: Riverside County Assessor.

The following table shows the amount of assessed value that is presently under appeal within the Interstate 215 Corridor Redevelopment Project Area and the estimated reduction of value that has been factored into the projections for 2015-16. The assessment appeals data below reflects appeals filed for Fiscal Years 2005-06 through 2014-15. To provide some indication of the proportion of valuation upheld on appeal, the table below provides information on resolved appeals filed in previous years in the Interstate 215 Corridor Redevelopment Project Area. Overall, the 1,302 appeals settled in the Interstate 215 Corridor Redevelopment Project Area during the Fiscal Year 2005-06 to Fiscal Year 2014-15 period resulted in reductions in valuation of \$80.5 million out of \$1.36 billion in enrolled valuation subject to appeals, or around 6%. The overall retention rate has been calculated by the Fiscal Consultant to be approximately 94% of the original valuation.

Applying the 94% retention rate for resolved appeals to the pending appeals indicates a potential valuation reduction of \$19.1 million or approximately \$191,000 in tax revenue. If the full amount of disputed valuation were granted, the reduction in valuation would be \$152.3 million or approximately \$152,300,000 in tax revenue. As noted below under “Interstate 215 Corridor Redevelopment Project Area,” no assumptions are made regarding any potential appeal-related adjustments to Interstate 215 Corridor Redevelopment Project Area valuation.

**TABLE 26**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Interstate 215 Corridor Redevelopment Project Area**  
**Estimated Appeals Loss**  
**Fiscal Year 2015-16**

| <u>Roll Year</u> | <u>Status</u> | <u>Number of Appeals<sup>(1)</sup></u> | <u>County Valuation<sup>(2)</sup></u> | <u>Applicant Opinion of Value</u> | <u>Valuation After Appeal</u> | <u>Retention Rate<sup>(3)</sup></u> |
|------------------|---------------|--|---------------------------------------|-----------------------------------|-------------------------------|-------------------------------------|
| 2014-15          | Resolved      | 6                                      | \$ 967,917                            | \$ 768,163                        | \$ 967,917                    | 100%                                |
| 2014-15          | Pending       | 102                                    | 144,626,612                           | 96,702,897                        | -                             | TBD                                 |
| 2013-14          | Resolved      | 33                                     | 46,439,989                            | 27,012,630                        | 45,605,713                    | 98%                                 |
| 2013-14          | Pending       | 59                                     | 80,533,370                            | 34,073,749                        | -                             | TBD                                 |
| 2012-13          | Resolved      | 189                                    | 250,705,890                           | 134,181,529                       | 231,759,408                   | 92%                                 |
| 2012-13          | Pending       | 4                                      | 98,597,082                            | 40,879,792                        | -                             | TBD                                 |
| 2011-12          | Resolved      | 206                                    | 243,945,045                           | 130,188,855                       | 230,420,611                   | 94%                                 |
| 2011-12          | Pending       | 2                                      | 285,066                               | 73,625                            | -                             | TBD                                 |
| 2010-11          | Resolved      | 290                                    | 278,293,764                           | 141,101,076                       | 259,700,277                   | 93%                                 |
| 2010-11          | Pending       | -                                      | -                                     | -                                 | -                             | -                                   |
| 2009-10          | Resolved      | 413                                    | 374,946,100                           | 172,007,508                       | 350,652,486                   | 94%                                 |
| 2009-10          | Pending       | -                                      | -                                     | -                                 | -                             | -                                   |
| 2008-09          | Resolved      | 134                                    | 129,841,476                           | 72,435,414                        | 126,267,350                   | 97%                                 |
| 2008-09          | Pending       | -                                      | -                                     | -                                 | -                             | -                                   |
| 2007-08          | Resolved      | 10                                     | 13,099,926                            | 11,851,923                        | 13,067,526                    | 100%                                |
| 2007-08          | Pending       | -                                      | -                                     | -                                 | -                             | -                                   |
| 2006-07          | Resolved      | 15                                     | 25,171,082                            | 16,195,916                        | 24,480,821                    | 97%                                 |
| 2006-07          | Pending       | -                                      | -                                     | -                                 | -                             | -                                   |
| 2005-06          | Resolved      | 6                                      | 245,755                               | 2,661,688                         | 245,755                       | 100%                                |
| 2005-06          | Pending       | -                                      | -                                     | -                                 | -                             | -                                   |
| All Years        | Resolved      | 1,302                                  | 1,363,656,944                         | 708,404,702                       | 1,283,167,864                 | 94%                                 |
| All Years        | Pending       | 167                                    | 324,042,130                           | 171,730,063                       | TBD                           | TBD                                 |

<sup>(1)</sup> Data is current as of March 26, 2015.

<sup>(2)</sup> Expressed as a percentage. Retention Rate is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the “Valuation After Appeal” into the “County Valuation.” For withdrawn and denied appeals, the “Valuation After Appeal” is the original County valuation.

Source: Riverside County Assessor; Urban Analytics.



## Property Value by Land Use

Taxable values in the Interstate 215 Corridor Redevelopment Project Area are diversified with residential property values making up 54.7% of all value. Industrial uses account for 23.7% of the Interstate 215 Corridor Redevelopment Project Area taxable values and commercial uses account for 7.0%. Together, these four land use categories account for 85.4% of all taxable value in the Interstate 215 Corridor Redevelopment Project Area.

The following table illustrates the land use of property within the entire Interstate 215 Corridor Redevelopment Project Area and its assessed value.

**TABLE 27**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Interstate 215 Corridor Redevelopment Project Area**  
**Land Use Statistics**  
**(Fiscal Year 2015-16)**

| <u>Land Use</u>           | <u>Secured AV<sup>(1)</sup></u> | <u>Pct of AV</u> | <u>Number of<br/>Parcels</u> | <u>Pct of Parcels</u> | <u>Acres<sup>(2)</sup></u> | <u>Pct of Acres</u> |
|---------------------------|---------------------------------|------------------|------------------------------|-----------------------|----------------------------|---------------------|
| Agricultural              | \$ 7,832,113                    | 0.3%             | 25                           | 0.1%                  | 272                        | 1.7%                |
| Commercial                | 187,013,100                     | 7.0%             | 308                          | 1.7%                  | 412                        | 2.6%                |
| Industrial                | 638,002,578                     | 23.7%            | 200                          | 1.1%                  | 666                        | 4.2%                |
| Single-Family Residential | 920,555,280                     | 34.2%            | 6,000                        | 34.0%                 | 3,317                      | 21.0%               |
| Condominiums              | 8,982,018                       | 0.3%             | 134                          | 0.8%                  | 9                          | 0.1%                |
| Other Residential         | 542,216,656                     | 20.2%            | 5,448                        | 30.8%                 | 4,874                      | 30.8%               |
| Vacant                    | 384,775,559                     | 14.3%            | 5,469                        | 31.0%                 | 6,025                      | 38.1%               |
| Other                     | 1,427,776                       | 0.1%             | 84                           | 0.5%                  | 254                        | 1.6%                |
| <b>Total</b>              | <b>\$2,690,805,080</b>          | <b>100.0%</b>    | <b>17,668</b>                | <b>100.0%</b>         | <b>15,830</b>              | <b>100.0%</b>       |

<sup>(1)</sup> Valuations include homeowner's exemptions, which are restored by the Auditor prior to the calculation of tax increment.

<sup>(2)</sup> Acreage is estimated using tax roll data and information provided by the Agency.

Source: County Assessor, Urban Analytics.

## Plan Limitations

The following Table 27 is a summary of the plan limitations of the Project Area and its Sub-Areas.

**TABLE 28**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Summary of Interstate 215 Corridor Project Area**  
**and Constituent Sub-Areas**

|   | <u>Date of Adoption</u> | <u>Ordinance Number</u> | <u>Termination of Plan Activities</u> | <u>Last Date to Repay Debt</u> | <u>Tax Increment Limit<sup>(6)</sup></u> | <u>Acreage</u> | <u>Sub-Area Tax Increment As Percent of Project Area Total</u> | <u>Volatility Ratio<sup>(7)</sup></u> |
|---|-------------------------|-------------------------|---------------------------------------|--------------------------------|--|----------------|--|---------------------------------------|
| <b>Project Area I-215<sup>(5)</sup></b>   |                         |                         |                                       |                                |  |                |  |                                       |
| 5-1986 (Lakeview, Mead Valley, Romoland)  | 12/23/1986              | 639                     | 12/23/2027                            | 12/23/2037                     | \$578,005,274                            | 3,154          | 19%  | 0.19                                  |
| 5-1986 (Highgrove)                        | 12/23/1986              | 639                     | 12/23/2027                            | 12/23/2037                     | 50,000,000                               | 275            | 3%   | 0.31                                  |
| 5-1998 (Highgrove Amend)                  | 11/24/1998              | 783                     | 11/24/2029                            | 11/24/2044                     | --                                       | 843            | 29%  | 0.20                                  |
| 5-2002 (Romoland Amend)                   | 06/25/2002              | 822                     | 06/25/2033                            | 06/25/2048                     | --                                       | 1,392          | 22%  | 0.13                                  |
| 5-1987 (Mead Valley 2)                    | 12/01/1987              | 648                     | 12/01/2028                            | 12/01/2038                     | 120,000,000                              | 141            | 1%   | 0.14                                  |
| 5-1989 (Mead Valley 2 Amend)              | 07/05/1989              | 677                     | 07/05/2030                            | 07/05/2040                     | 540,000,000                              | 715            | 10%  | 0.04                                  |
| 5-2002 (Mead Valley Amend) <sup>(1)</sup> | 06/25/2002              | 821                     | 06/25/2033                            | 06/25/2048                     | --                                       | 3,200          | 8%   | 0.47                                  |
| 5-2006 (Lakeview/Nuevo) <sup>(2)</sup>    | 05/16/2006              | 854                     | 05/16/2036                            | 05/16/2051                     | --                                       | 2,821          | 2%   | 0.87                                  |
| 5-2006 (Sun Valley/Quail) <sup>(3)</sup>  | 05/02/2006              | 855                     | 05/02/2051                            | 05/02/2051                     | --                                       | 3,289          | 5%   | 0.81                                  |
| Highway 74 <sup>(4)</sup>                 | 05/04/2010              | 896                     | 05/04/2040                            | 05/04/2055                     | --                                       | 5,865          | 1%   | 0.95                                  |

(1) This sub-area cannot incur debt after 06/25/2022.

(2) This sub-area cannot incur debt after 05/16/2026.

(3) This sub-area cannot incur debt after 05/16/2026.

(4) Sub-Area value is below base year value and does not generate tax increment.

(5) The Agency amended the pre-1994 plans on November 29, 1994 (Ordinance 750) to bring them into conformance with the requirements of AB1290. The plan limits shown above reflect the changes made through that ordinance. The Agency has extended by one year the Termination of Plan Activities and the Last Date to Repay Indebtedness as permitted under SB1045; dates reflect this extension.

(6) Under an eight percent growth assumption, Tax Increment collected in the Sub-Areas subject to a Tax Increment Limit is not expected to reach such Tax Increment Limit prior to the plan limit for such Sub-Area.

(7) The Volatility Ratio is calculated by dividing the base year assessed valuation by the current year assessed valuation. The volatility ratio for the Project Area is 0.44%.

Source: Urban Analytics.

Each successor agency only receives the amount necessary to pay enforceable obligations on the approved ROPS (see “SECURITY FOR THE BONDS – Recognized Obligation Payment Schedules”) and it has become unclear whether a redevelopment plan’s tax increment limit continues to be effective. For the purposes of this Official Statement and the calculation of Tax Revenues, the Successor Agency has assumed that the tax increment limitation set forth in the Redevelopment Plan continue to be effective.

The volatility ratio shown in Table 27 is the proportion of total assessed valuation accounted for by the base year valuation and reflects the degree of exposure of tax increment to changes in total valuation. A high volatility ratio indicates that a small percentage change in overall assessed valuation would cause a disproportionately large percentage change in tax increment, while a low volatility ratio suggests that a percentage change in overall assessed valuation would cause a similar percentage change in tax increment. Recently-formed redevelopment areas tend to have a high volatility ratio as their total assessed valuation remains close to the base year valuation; their volatility ratio decreases as assessed valuation grows. Additionally, large tax payers within the Interstate 215 Corridor Redevelopment Project Area can have a similarly disproportionate impact on the tax increment if they have large variations in assessed valuation over a period of fiscal years. See “Largest Taxpayers in the Project Area.” The volatility ratio for the Interstate 215 Corridor Redevelopment Project Area is 0.44%.

### **Interstate 215 Corridor Redevelopment Project Area Estimated Revenues And Bond Retirement**

The Successor Agency has retained Urban Analytics, LLC, San Francisco, California (the “Fiscal Consultant”), to analyze the Interstate 215 Corridor Redevelopment Project Area and to project future tax increment revenues for the Interstate 215 Corridor Redevelopment Project Area. The Fiscal Consultant’s report is included as Appendix A and should be read in its entirety.

For purposes of projecting Tax Revenues, the Fiscal Consultant has made the following assumptions:

- (1) The Fiscal Consultant assumed that the tax rate in the Interstate 215 Corridor Redevelopment Project Area is 1%, with no tax rate overrides.
- (2) County administrative fee is estimated to be 1.50% of tax increment revenue in the Project Area and is shown under “Other Senior Obligations,” in Table 28 below.
- (3) Tax increment revenue is projected to increase at a 2% annual growth rate.
- (4) Tax increment revenues do not include any adjustment for delinquencies, refunds, or rebates. See “Property Taxes; Teeter Plan,” herein.
- (5) Net tax increment deducts a proportionate share of the Successor Agency’s debt service obligation on outstanding housing bonds allocated based on the Project Area’s tax increment, but does not include a deduction of any other amounts that, prior to dissolution, were required to be deposited in the Former Agency’s Low and Moderate Income Housing Fund.
- (6) Projections assume that Statutory Tax sharing payments are subordinate to debt service.
- (7) Projections do not take into consideration any changes in assessed valuation due to new construction, property sales, Proposition 8 reduction or assessment appeals.
- (8) Senior passthrough payments are according to agreements described under “Pass-Through Agreements and Statutory Tax Sharing Payments,” herein.
- (9) Other senior obligations include payments under the Development Agreements which end in 2015-16 and 2020-21 respectively.

(10) The 20% low and moderate housing set aside was eliminated with the Dissolution Act. Were the set aside still in effect, the amount of tax increment deposited in the low and moderate income Housing Fund would have been 20% of the gross tax increment less the County Administration fee. A proportionate share of Agency's Housing Bond debt service is deducted based on the Project Area's tax increment in proportion to other Agency Project Areas.

Actual levels of future tax increment revenues will depend upon the rate of growth in tax increment resulting from new development, change of ownership and inflation, and changes in tax rates, and may differ from the projections presented herein. The Interstate 215 Corridor Redevelopment Project Area has various sub areas with different time limits, volatility ratio and tax increment limits. See Table 27 herein. See REPORT OF FISCAL CONSULTANT attached hereto as Appendix A.

It should also be noted that the last date to repay indebtedness in the Sub-Areas within the Interstate 215 Corridor Redevelopment Project Area is, for each Sub-Area, after the stated maturity date of the 2015 Series E Bonds. However, the Lakeview, Mead Valley, Romoland 3 and Romoland 5 Sub-areas have a combined tax increment cap of \$578 million, the Highgrove Sub-area has a tax increment cap of \$50 million, the Mead Valley 1987 Sub-area has a tax increment cap of \$120 million, and the Mead Valley 1990 annex has a tax increment cap of \$540,000. Based on the projections prepared by the Fiscal Consultant, the tax increment caps were not reached with growth rates of less than eight percent; the Highgrove Sub-area cap was reached at growth rates of eight percent and higher.

**TABLE 29**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Interstate 215 Corridor Redevelopment Project Area**  
**Estimated Tax Increment Revenues<sup>(1)</sup>**  
**Fiscal Years 2015-16 through 2046-47**  
**(In Thousands)**

| <b>Fiscal Year</b> | <b>Gross Tax Increment</b> | <b>Project Area Share of Housing Debt Service</b> | <b>Senior Pass-Through Payments</b> | <b>Other Senior Obligations<sup>(2)</sup></b> | <b>Net Tax Increment</b> |
|--------------------|----------------------------|---|-------------------------------------|---|--------------------------|
| 2015/16            | \$18,157,102               | \$(2,365,861)                                     | \$(1,290,792)                       | \$(507,450)                                   | \$13,992,999             |
| 2016/17            | 18,759,430                 | (2,384,460)                                       | (1,318,605)                         | (521,529)                                     | 14,534,837               |
| 2017/18            | 19,373,805                 | (2,401,139)                                       | (1,346,974)                         | (535,889)                                     | 15,089,803               |
| 2018/19            | 20,000,467                 | (2,417,965)                                       | (1,375,910)                         | (550,537)                                     | 15,656,055               |
| 2019/20            | 20,639,663                 | (2,434,483)                                       | (1,405,425)                         | (565,478)                                     | 16,234,277               |
| 2020/21            | 21,291,642                 | (2,449,440)                                       | (1,435,530)                         | (580,718)                                     | 16,825,954               |
| 2021/22            | 21,956,661                 | (2,465,252)                                       | (1,466,237)                         | (329,470)                                     | 17,695,702               |
| 2022/23            | 22,634,981                 | (2,480,018)                                       | (1,497,558)                         | (339,648)                                     | 18,317,756               |
| 2023/24            | 23,326,867                 | (2,493,980)                                       | (1,529,506)                         | (350,028)                                     | 18,953,352               |
| 2024/25            | 24,032,591                 | (2,508,865)                                       | (1,562,093)                         | (360,617)                                     | 19,601,016               |
| 2025/26            | 24,752,429                 | (2,522,342)                                       | (1,595,332)                         | (371,417)                                     | 20,263,339               |
| 2026/27            | 25,486,663                 | (2,535,505)                                       | (1,629,235)                         | (382,433)                                     | 20,939,491               |
| 2027/28            | 26,235,583                 | (2,537,423)                                       | (1,663,816)                         | (393,670)                                     | 21,640,674               |
| 2028/29            | 26,999,481                 | (2,616,182)                                       | (1,699,089)                         | (405,131)                                     | 22,279,079               |
| 2029/30            | 27,778,657                 | (2,628,232)                                       | (1,735,068)                         | (416,821)                                     | 22,998,536               |
| 2030/31            | 28,573,416                 | (2,638,768)                                       | (1,771,766)                         | (428,745)                                     | 23,734,137               |
| 2031/32            | 29,384,071                 | (2,650,978)                                       | (1,809,198)                         | (440,908)                                     | 24,482,987               |
| 2032/33            | 30,210,939                 | (2,660,362)                                       | (1,847,378)                         | (453,314)                                     | 25,249,884               |
| 2033/34            | 31,054,344                 | (2,671,872)                                       | (1,886,322)                         | (465,968)                                     | 26,030,181               |
| 2034/35            | 31,914,617                 | (2,854,196)                                       | (1,926,046)                         | (478,875)                                     | 26,655,500               |
| 2035/36            | 32,792,095                 | (3,382,465)                                       | (1,966,563)                         | (492,041)                                     | 26,951,026               |
| 2036/37            | 33,687,124                 | (3,390,819)                                       | (2,007,891)                         | (505,469)                                     | 27,782,944               |
| 2037/38            | 27,784,176                 | (1,924,388)                                       | (661,936)                           | (416,928)                                     | 24,780,924               |
| 2038/39            | 28,362,460                 | (1,908,995)                                       | (630,384)                           | (425,606)                                     | 25,397,475               |
| 2039/40            | 29,158,944                 | (1,821,016)                                       | (643,040)                           | (437,556)                                     | 26,257,332               |
| 2040/41            | 26,955,711                 | (1,394,209)                                       | -                                   | (404,511)                                     | 25,156,991               |
| 2041/42            | 27,723,839                 | (1,397,903)                                       | -                                   | (416,037)                                     | 25,909,899               |
| 2042/43            | 28,507,329                 | -   | -                                   | (427,793)                                     | 28,079,537               |
| 2043/44            | 29,306,490                 | -   | -                                   | (439,784)                                     | 28,866,706               |
| 2044/45            | 20,950,626                 | -   | -                                   | (314,450)                                     | 20,636,176               |
| 2045/46            | 21,597,401                 | -   | -                                   | (324,155)                                     | 21,273,246               |
| 2046/47            | 22,257,111                 | -   | -                                   | (334,054)                                     | 21,923,057               |

<sup>(1)</sup> See prior page for assumptions to calculate projections.

<sup>(2)</sup> Consists of amounts payable under Owner Participation Agreements and County administrative fees.

Source: Urban Analytics.

The following Table 29 projects debt service coverage for the Bonds showing only projected net tax increment revenue and Tax Revenues.

**TABLE 30**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Interstate 215 Corridor Redevelopment Project Area**  
**Estimated Debt Service Coverage**  
**Fiscal Years 2015-16 through 2046-47**  
**(In Thousands)**

| <b>Fiscal Year<sup>(1)</sup></b> | <b>Net Tax Increment<sup>(2)</sup></b> | <b>Outstanding Senior Bonds Debt Service</b> | <b>Senior Bonds Coverage*</b> | <b>Series 2015 Bonds Debt Service*</b> | <b>Subordinate Debt Service</b> | <b>Total Debt Service*</b> | <b>Total Debt Service Coverage*</b> |
|----------------------------------|--|--|-------------------------------|--|---------------------------------|----------------------------|-------------------------------------|
| 2015/16                          | \$13,992,999                           | \$6,542,276                                  | 1.74x                         | \$1,504,350                            | \$906,013                       | \$8,952,639                | 1.56x                               |
| 2016/17                          | 14,534,837                             | 6,543,201                                    | 1.81x                         | 1,496,800                              | 903,663                         | 8,943,664                  | 1.63x                               |
| 2017/18                          | 15,089,803                             | 6,543,701                                    | 1.88x                         | 1,503,000                              | 905,663                         | 8,952,364                  | 1.69x                               |
| 2018/19                          | 15,656,055                             | 6,545,701                                    | 1.95x                         | 1,498,000                              | 906,688                         | 8,950,389                  | 1.75x                               |
| 2019/20                          | 16,234,277                             | 6,546,194                                    | 2.02x                         | 1,495,750                              | 906,738                         | 8,948,682                  | 1.81x                               |
| 2020/21                          | 16,825,954                             | 6,530,594                                    | 2.09x                         | 1,512,000                              | 905,813                         | 8,948,407                  | 1.88x                               |
| 2021/22                          | 17,695,702                             | 6,548,744                                    | 2.20x                         | 1,500,750                              | 903,913                         | 8,953,407                  | 1.98x                               |
| 2022/23                          | 18,317,756                             | 6,547,069                                    | 2.28x                         | 1,498,250                              | 910,350                         | 8,955,669                  | 2.05x                               |
| 2023/24                          | 18,953,352                             | 6,546,369                                    | 2.36x                         | 1,499,000                              | 905,100                         | 8,950,469                  | 2.12x                               |
| 2024/25                          | 19,601,016                             | 6,553,569                                    | 2.44x                         | 1,492,750                              | 903,838                         | 8,950,157                  | 2.19x                               |
| 2025/26                          | 20,263,339                             | 6,552,869                                    | 2.52x                         | 1,494,750                              | 906,225                         | 8,953,844                  | 2.26x                               |
| 2026/27                          | 20,939,491                             | 6,547,869                                    | 2.60x                         | 1,494,500                              | 906,925                         | 8,949,294                  | 2.34x                               |
| 2027/28                          | 21,640,674                             | 6,558,232                                    | 2.69x                         | 1,487,000                              | 904,975                         | 8,950,207                  | 2.42x                               |
| 2028/29                          | 22,279,079                             | 6,555,169                                    | 2.77x                         | 1,492,500                              | 906,275                         | 8,953,944                  | 2.49x                               |
| 2029/30                          | 22,998,536                             | 6,552,994                                    | 2.86x                         | 1,490,250                              | 905,475                         | 8,948,719                  | 2.57x                               |
| 2030/31                          | 23,734,137                             | 6,555,825                                    | 2.95x                         | 1,490,500                              | 902,575                         | 8,948,900                  | 2.65x                               |
| 2031/32                          | 24,482,987                             | 6,554,125                                    | 3.04x                         | 1,488,000                              | 907,575                         | 8,949,700                  | 2.74x                               |
| 2032/33                          | 25,249,884                             | 6,559,425                                    | 3.14x                         | 1,482,750                              | 908,425                         | 8,950,600                  | 2.82x                               |
| 2033/34                          | 26,030,181                             | 7,150,250                                    | 3.24x                         | 894,750                                | 901,375                         | 8,946,375                  | 2.91x                               |
| 2034/35                          | 26,655,500                             | 7,145,175                                    | 3.31x                         | 898,000                                | 906,788                         | 8,949,963                  | 2.98x                               |
| 2035/36                          | 26,951,026                             | 7,136,575                                    | 3.35x                         | 904,250                                | 903,575                         | 8,944,400                  | 3.01x                               |
| 2036/37                          | 27,782,944                             | 6,982,775                                    | 3.52x                         | 908,250                                | 907,100                         | 8,798,125                  | 3.16x                               |
| 2037/38                          | 24,780,924                             | 6,890,400                                    | 3.60x                         |  | 461,638                         | 7,352,038                  | 3.37x                               |
| 2038/39                          | 25,397,475                             | 6,839,250                                    | 3.71x                         |  | 454,450                         | 7,293,700                  | 3.48x                               |
| 2039/40                          | 26,257,332                             | 6,837,300                                    | 3.84x                         |  | 455,813                         | 7,293,113                  | 3.60x                               |
| 2040/41                          | 25,156,991                             |  |                               |  | 7,200,000                       | 7,200,000                  | 3.49x                               |
| 2041/42                          | 25,909,899                             |  |                               |  | 7,200,000                       | 7,200,000                  | 3.60x                               |
| 2042/43                          | 28,079,537                             |  |                               |  | 7,200,000                       | 7,200,000                  | 3.90x                               |
| 2043/44                          | 28,866,706                             |  |                               |  | 7,200,000                       | 7,200,000                  | 4.01x                               |
| 2044/45                          | 20,636,176                             |  |                               |  |                                 |                            |                                     |
| 2045/46                          | 21,273,246                             |  |                               |  |                                 |                            |                                     |
| 2046/47                          | 21,923,057                             |  |                               |  |                                 |                            |                                     |

(1) See Table 28 for details.

(2) Tax Increment shown for purposes of this coverage table represent only Tax Revenues relating to the Project Area. However, all funds deposited into the RPTTF of the Agency are available to pay debt service on the Bonds after all other debt service obligations and other senior obligations are satisfied. See "SECURITY FOR THE BONDS – Real Property Tax Trust Fund," and "Security for the Bonds." Source: Urban Analytics, LLC.

\* Preliminary, subject to change.

## **BOND OWNERS' RISKS**

*The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Bonds and the credit quality of the Agency Bonds. The following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. For a discussion of certain matters that will or could cause reductions in the Tax Revenues available in future years, see "LIMITATIONS ON TAX REVENUES" of this Official Statement.*

### **Limited Special Obligations**

The Bonds will be special obligations of the Authority, payable from and secured as to the payment of the principal thereof and the redemption premium, if any, and the interest thereon in accordance with their terms and the terms of the Indenture. The Bonds shall not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay principal of or redemption premium, if any, or interest on the Bonds except from the Revenues. Neither the State nor any public agency (other than the Authority) nor any member of the Authority is obligated to pay the principal of or redemption premium, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal of or redemption premium, if any, or interest on the Bonds. The payment of the principal of or redemption premium, if any, or interest on the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Authority) or any member of the Authority.

### **Recognized Obligation Payment Schedule**

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires the Successor Agency to prepare and submit to the Successor Agency's Oversight Board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the Successor Agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller and remitted to the Successor Agency without a Recognized Obligation Payment Schedule approved by the State Department of Finance. See "SECURITY FOR THE BONDS – Recognized Obligation Payment Schedule." If the Successor Agency were to fail to complete an approved Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period.

If a successor agency fails to submit to the State Department of Finance an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the State Department of Finance may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) in the following paragraph, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the State Department of Finance to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any monies in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the State Department of Finance.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act: (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (as described above under “SECURITY FOR THE BONDS-Security for the Bonds”) and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011; (ii) second, on each January 2 and June 1, to a successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule; (iii) third, on each January 2 and June 1, to a successor agency for the administrative cost allowance, as defined in the Dissolution Act; and (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in its Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity’s share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

If the Successor Agency does not submit an Oversight-Board approved Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the State Department of Finance does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above. However, the Successor Agency has covenanted in the Agency Bonds Indentures to take all actions required under the Dissolution Act to include scheduled debt service on the Agency Bonds or required under the Agency Bonds Indentures to replenish the Reserve Fund, in Recognized Obligation Payment Schedules for each six-month period to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Agency Bonds Indentures or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Agency Bonds for the next payment due in the following six-month period.

AB 1484 also added new provisions to the Dissolution Act implementing certain penalties in the event the Successor Agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Successor Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than by 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the County will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Successor Agency’s administrative cost allowance is reduced by 25% if the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

### **Challenges to Dissolution Act**

Several successor agencies, cities and other entities have filed judicial actions challenging the legality of various provisions of the Dissolution Act. One such challenge is an action filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, “Syncora”) against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own



behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleged that the Dissolution Act, and specifically the “Redistribution Provisions” thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the “contract clauses” of the United States and California Constitutions (U.S. Const. art. 1, § 10, cl.1; Cal. Const. art. 1, § 9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the “Takings Clauses” of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders’ and Syncora’s contractual right to critical security mechanisms without just compensation.

After hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora’s constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora’s takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency’s ability to timely pay debt service on the Agency Bonds.

### **Mandatory Redemption on Acceleration of Agency Bonds on Default**

The Bonds are subject to mandatory redemption upon the acceleration of the Agency Bonds upon the occurrence of an Event of Default under the Agency Bonds Indenture. As a practical matter in the event of a payment default by the Successor Agency, it is unlikely the Successor Agency would have the financial resources to meet accelerated obligations. No real or personal property in the Project Area is pledged to secure the Agency Bonds, and it is not anticipated that the Successor Agency will have available moneys sufficient to pay the amount of principal and interest due upon acceleration of the Agency Bonds, and correspondingly to redeem all of the Bonds in the event of a default. Additionally, if the Bonds are insured, then the bond insurer will retain the right to control remedies on the Bonds and the Agency Bonds in the Event of Default, possibly in conflict with the Owners of the Bonds. See “SECURITY FOR THE BONDS AND THE AGENCY BONDS – Security for the Agency Bonds,” herein.

### **Reduction in Taxable Value**

Tax Revenues allocated to the Successor Agency are determined by the amount of incremental taxable value in the Project Area allocable to the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic factors beyond the Successor Agency’s control, such as a relocation out of the Project Area by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings, appeals to value under Proposition 8 or other assessment appeals, or the discovery of hazardous substances on a property within the Project Area (see “Hazardous Substances,” below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see “Earthquake,” below), flood or other natural disaster, could cause a reduction in the Tax Revenues securing the Agency Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a

blanket reduction in assessed valuations based on then current economic conditions. See APPENDIX A – “Report of Fiscal Consultant - Assessment Appeals.”

### **Bond Insurance Risk Factors**

The Authority anticipates obtaining a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Insured Bonds.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any Owner of the Insured Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Authority which is recovered by the Agency from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the Authority unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer’s consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Insured Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Insured Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Insured Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Insured Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds. See description of “OTHER INFORMATION – Ratings” herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

None of the Authority, the Agency or the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “Bond Insurance” herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

## **Risks of Real Estate Secured Investments Generally**

The Owners and Beneficial Owners of the Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (a) adverse changes in local market conditions, such as changes in the market value of real property within and in the vicinity of the respective project areas, the supply of or demand for competitive properties in such project areas, and the market value of competitive properties in the event of sale or foreclosure, (b) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies, and (c) natural disasters (including, without limitation, earthquakes, fires, droughts and floods), which may result in uninsured losses.

## **Reduction in Inflationary Rate and Changes in Legislation**

As described in greater detail below (see “LIMITATIONS ON TAX REVENUES”), 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 inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2% and there have been several years in which taxable values were adjusted by an actual inflationary rate that was less than 2%. The adjusted inflationary rate for Fiscal Year 2015-16 is 1.998%. The Successor Agency is unable to predict whether future annual inflationary adjustments to the taxable value base of real property within the Project Area will be in the amount of the full 2% permitted under Article XIII A or will be in an amount less than 2%.

## **Change in Law**

In addition to the other limitations on Tax Revenues, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing Tax Revenues payable to the Successor Agency. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce the Tax Revenues and adversely affect the security of the Agency Bonds.

## **Development and Economic Risks**

Development within a Project Area may be subject to unexpected delays, disruptions and changes. Real estate development operations 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. Further, real estate development operations within a Project Area could be adversely affected by future governmental policies, including policies that restrict or control development. If projected development in a Project Area is delayed or halted, the economy of the Project Area could be affected, potentially causing a reduction of the Tax Revenues available to repay the Agency Bonds and consequently the Bonds. In addition, if there is a general decline in the economy of a Project Area, the owners of property in the Project Area may be less able or willing to make timely payments of property taxes, causing a delay or stoppage of Tax Revenues received by the Successor Agency.

## **Bankruptcy of Landowners**

The bankruptcy of a major assessee in a Project Area could delay and/or impair the collection of property taxes by the County with respect to properties in the bankruptcy estate. Although the Successor Agency is not aware of any major property owners in a Project Area that are in bankruptcy or threatening to declare bankruptcy, the Successor Agency cannot predict the effects on the collections of Tax Revenues if such an event were to occur.

## **Seismic Factors and Flooding**

The occurrence of severe seismic activity and/or flooding in a Project Area could result in substantial damage to property located in that Project Area, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction could result in a decrease in Tax Revenues collected by the Agency.

## **Levy and Collection of Taxes**

The Successor Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues and, accordingly, could have an adverse impact on the ability of the Successor Agency to make debt service payments on the Agency Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Successor Agency's ability to make timely debt service payments on the Agency Bonds. The County currently allocates 100% of the Tax Revenues collected on the secured property tax roll to the Successor Agency, regardless of the actual amount of payments made by taxpayers (see "Property Taxes; Teeter Plan," herein). The County currently allocates Tax Revenues collected with respect to unsecured property to the Agency based upon the tax increment actually collected.

## **Estimated Revenues**

In estimating that Tax Revenues will be sufficient to pay debt service on the Bonds, the Successor Agency has made certain assumptions with regard to present and future assessed valuation in the Project Areas, future tax rates and percentage of taxes collected. The Successor Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the Tax Revenues available to pay debt service on the Agency Bonds will be less than those projected and such reduced Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Agency Bonds.

## **Hazardous Substances**

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Areas. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Areas be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

## **Direct and Overlapping Indebtedness**

The ability of land owners within the respective project area to pay property tax installments as they come due could be affected by the existence of other taxes and assessments, imposed upon the land. In addition, other public agencies whose boundaries overlap those of the respective project area could, without consent of the Successor Agency, and in certain cases without the consent of the owners of the land within the Project Areas, impose additional taxes or assessment liens on the property to finance public improvements.

## **Future Legislation and Initiatives**

Article XIII A, Article XIII B and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the Successor Agency or the Successor Agency's ability to expend revenues. In addition, there are currently a number of proposed legislative changes to the Dissolution Act which, if adopted,

would also affect revenues of the Successor Agency or the Successor Agency ability to expend revenues. The nature and impact of these measures cannot currently be anticipated.

### **Assessment Appeals**

Property taxable values may be reduced as a result of Proposition 8, which reduces the assessed value of property, or of a successful appeal of the taxable value 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. A reduction in taxable values within the respective project area and the refund of taxes which may arise out of successful appeals by property owners will affect the amount of Tax Revenues and, potentially, Revenues under the Indenture. The Successor Agency has in the past experienced reductions in its Tax Revenues as a result of assessment appeals. The actual impact to tax increment is dependent upon the actual revised value of assessments resulting from values determined by the County Assessment Appeals Board or through litigation and the ultimate timing of successful appeals. For a discussion of historical assessment appeals in the Project Area and summary information regarding pending and resolved assessment appeals for the Successor Agency, see Appendix A – "REPORT OF FISCAL CONSULTANT."

### **Economic Risks**

The Agency's ability to make payments on the respective Agency Bonds will be partially dependent upon the economic strength of the Project Area. If there is a decline in the general economy of the Project Area, the owners of property may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of Tax Revenues. In the event of decreased values, Tax Revenues and, potentially, Revenues may decline even if property owners make timely payment of taxes.

### **Investment Risk**

Funds held under the Agency Bonds Indenture are required to be invested in Permitted Investments as provided under the Agency Bonds Indenture. See APPENDIX D attached hereto for a summary of the definition of Permitted Investments. The funds and accounts of the Successor Agency, into which a portion of the proceeds of the Agency Bonds will be deposited and into which Tax Revenues are deposited, may be invested by the Successor Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Successor Agency cannot predict the effects on the receipt of Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County were to become insolvent or declare bankruptcy. See "BOND OWNERS' RISKS – Bankruptcy."

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

### **Bankruptcy**

The rights of the Owners of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions

of Bond Counsel as to the enforceability of the obligation to make payments on the Bonds will be qualified as to bankruptcy and such other legal events. See APPENDIX F – “Forms of Opinions of Bond Counsel.”

### **Federal Tax-Exempt Status of the Bonds**

The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Bond proceeds, limitations on the investment earnings on Bonds proceeds prior to expenditure, a requirement that certain investment earnings on the Bond proceeds be paid periodically to the United States and a requirement that the issuers file an information report with the Internal Revenue Service (the “IRS”). The Agency and Authority have covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Bonds as taxable, retroactively to the date of issuance of such Bonds.

### **IRS Audit of Tax-Exempt Issues**

The IRS has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar obligations).

## LIMITATIONS ON TAX REVENUES

### Property Tax Limitations - Article XIII A

*Article XIII A of the California Constitution.* Section 1(a) of Article XIII A of the California Constitution limits the maximum ad valorem tax on real property to one percent of full cash value, to be collected by the counties and apportioned according to law. Section 2 of Article XIII A defines “full cash 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 when purchased, newly constructed, or 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% per year, or reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the California Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

In the general elections of 1986, 1988, and 1990, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment will reduce the tax increment of the Successor Agency. Other amendments permitted the Legislature to allow persons over 55 who sell their residence and on or after November 5, 1986, to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers or assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within that county and the original property is located in another county within California.

In the June 1990 election, the voters of the State approved additional amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of “new construction” triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of “new construction” seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Both the California Supreme Court and the United States Supreme Court have upheld the constitutionality of Article XIII A.

*Article XIII B of the California Constitution.* On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds.

Effective September 30, 1980, the California Legislature added Section 33678 to the Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by the agency of proceeds of taxes levied by

or on behalf of the agency within the meaning of Article XIII B or any statutory provision enacted in implementation thereof, including Section 33678 of the Law. The constitutionality of Section 33678 has been upheld by the Second and Fourth District Courts of Appeal in two decisions: *Bell Community Redevelopment Agency v. Woosely and Brown v. Community Redevelopment Agency of the City of Santa Ana*. On the basis of these decisions, the Successor Agency has not adopted an appropriations limit.

*Proposition 218*. On November 5, 1996, the voters of the State approved Proposition 218, the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the public agencies to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C removes limitations on the initiative power in matters of local taxes, special taxes, assessments, fees and charges. While the matter is not free from doubt, it is likely that a court would hold that the initiative power cannot be used to reduce or repeal the levy of property taxes or to materially affect the collection and pledge of Tax Revenues.

The interpretation and application of the initiative provisions of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and while it is not possible at this time to predict with certainty the outcome of such determination, the Successor Agency does not believe that Proposition 218 will materially affect its ability to pay principal of or interest on the Agency Bonds.

### **Implementing Legislation**

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value is shown at 100% of assessed value and all general tax rates reflect the \$1.00 per \$100 of taxable value. Tax rates for bond debt service and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% 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. Local agencies and school districts will share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year. Neither the Authority nor the Successor Agency is able to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

### **Redevelopment Plan Limits**

There is a question on the applicability of tax increment limits as to time and amounts established under redevelopment plans after the adoption of AB 26 and AB 1484. The matter remains subject to further guidance from the DOF, legislation and interpretation by the courts. If the cumulative tax increment limit is deemed to no longer be applicable, no interruption of tax increment revenue will occur. For purposes of the projections in this Official Statement and in the Fiscal Consultant’s Report appearing in Appendix A, it is assumed that all redevelopment plan limits will be enforced.

### **Unitary Property**

Assembly Bill 2890 (Statutes of 1986, Chapter 1457), which added Section 98.9 to the California Revenue and Taxation Code, provided that, commencing with the Fiscal Year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) was to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be



allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property was changed from March 1 to January 1.

Assembly Bill 454 (Statutes of 1987, Chapter 921) further modified the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provided for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provided for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the 1% tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, further, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

The intent of Chapters 1457 and 921 was to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization.

The Successor Agency has projected the amount of unitary revenues to be allocated for 2013-14 within the Project Area. Neither the Authority nor the Successor Agency can predict the effect of any future litigation or settlement agreements on the amount of unitary tax revenues received or to be received nor the impact on unitary property tax revenues of any transfer of electrical transmission lines to tax-exempt agencies.

### **Tax Increment Limitation; Senate Bill 211**

Assembly Bill 1290 ("AB 1290") was signed into law by the Governor in December 1993 and amends various provisions of the Law. AB 1290 provides for the placement of time limits on the effectiveness of every redevelopment plan, and provides that after 10 years from the termination date of a plan's effectiveness, no redevelopment agency, subject to certain exceptions, will pay indebtedness or receive property taxes in connection therewith. In addition, in connection with the shift of tax increment revenues, (i) SB 1045 allowed the Former Agency to extend the effective date of the related redevelopment plan, and the date to receive Tax Revenues in the Project Area, by one year, and (ii) SB 1096 allowed the Former Agency to extend the effective date of the related redevelopment plan, and the date to receive Tax Revenues, by two years subject to compliance with major housing requirements. The Former Agency has taken such action with respect to SB 1045, and the projections of Tax Revenues reflect such extensions. Pursuant to the related redevelopment plan, the expiration date of the related redevelopment plan is as described in "THE HEMET REDEVELOPMENT PROJECT," herein.

On October 10, 2001 the Governor of the State signed into law Senate Bill 211 ("SB 211"), which allows redevelopment agencies to eliminate the time limits on their ability to incur debt for project areas established prior to January 1, 1994. Additionally, SB 211 allows redevelopment agencies to extend the termination date of their redevelopment plans and the deadline for the receipt of tax increment for the repayment of debt by 10 years for project areas established prior to January 1, 1994. In order to extend the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency must make certain findings of blight in the applicable project areas. Additionally, if a redevelopment agency elects to extend the time limits on the incurrence of debt, the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency must make certain additional statutory pass-through payments to other taxing entities.

## **Property Taxes; Teeter Plan**

The County utilized a mechanism for the distribution of tax increment revenue to the former redevelopment agencies that has a similar effect on the Successor Agency's tax increment revenues as the device known as the Teeter Plan (Section 4701 et seq. of the California Revenue and Taxation Code). The Teeter Plan allows counties to distribute secured property tax revenue to participating jurisdictions without regard to delinquencies by maintaining a reserve fund to cover delinquencies and allocating revenue based on the original secured roll, retaining all delinquent tax payments and penalties. Under the mechanism used by the County to distribute tax increment revenue to the former redevelopment agencies, the County pays one-half of the taxes from the net taxable assessed valuation appearing on the equalized roll to each agency's RPTTF on January 2 and the other one-half on June 1; delinquencies are not deducted from the RPTTF revenue, and delinquent tax payments and defaulted tax redemptions, penalties and interest are not added to RPTTF revenue. Consequently, the Agency is not affected by delinquent tax payments. The overall delinquency rate for the 2013-14 Fiscal Year for all secured properties in the Project Area was 2.8% as of August 12, 2014. However, the County Auditor-Controller's office has indicated that the County may cease to use this mechanism at some future date. There is no indication of when or whether this change may occur or what tax increment distribution mechanism would replace it.

## **Tax Collection Fees**

Legislation enacted by the State Legislature authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. The County administration fee amounts to approximately 1.15% of the tax increment revenues from a Project Area. The calculations of Tax Revenues take such administrative costs into account.

## **Future Initiatives**

Article XIII A, Article XIII B and Proposition 218 were each adopted as measures that qualified for the ballot under California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

## OTHER INFORMATION

### Continuing Disclosure

Pursuant to the Continuing Disclosure Certificate, the County, as Successor Agency, has covenanted for the benefit of the Owners of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), in which it covenants to provide information regarding the Successor Agency on an annual basis as well as information regarding material adverse events, if any such events should occur to the owners of the Bonds and to the Municipal Securities Rulemaking Board during the term of the Bonds. See APPENDIX G—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with the Rule.

During the last five years, the County and certain of its related entities have failed to comply in certain respects with continuing disclosure obligations related to outstanding indebtedness. The failure to comply fell into two general categories: (i) failure to provide significant event notices with respect to changes in the ratings of outstanding indebtedness, primarily related to changes in the ratings of various bond insurers insuring the indebtedness of the County or its related entities; and (ii) missing, incomplete, or late filing of annual reports with respect to a number of the bond issues. In almost every case with respect to obligations related to the General Fund, such information and reports were available on the County's website and/or available in other continuing disclosure filings made by the County.

Some specific examples of such failures include:

(a) The annual report and financial statements for Fiscal Year 2008-09, the first County filings which were required to be submitted to EMMA after the effective date of revisions to the Rule, were submitted to MSRB with significant delays with respect to each County issuance outstanding during the first quarter of the 2009-10 Fiscal Year, as the County had not yet updated its compliance procedures and filed its annual report and financial statement for such year in accordance with the previously-effective Rule requirements. Subsequently, the County has submitted to EMMA the annual reports and financial statements for Fiscal Year 2008-09.

(b) With respect to the Housing Authority of the County of Riverside Refunding Revenue Bonds 1998 Series A (Corona Projects), no filings were submitted to the MSRB, and with respect to certain redevelopment issuances involving the Riverside County Public Financing Authority, no filings were made to the MRSB in Fiscal Years 2010-11, 2011-12 and 2012-13. Recently, the Housing Authority of the County of Riverside submitted to EMMA for Fiscal Years 2008-09 through 2012-13 the financial statements of the Redevelopment Agency of the City of Corona.

(c) The Successor Agency did not timely file its annual report and Audited Financial Statements for Fiscal Year 2013-14 due December 31, 2014, with respect to its 2014 Tax Allocation Refunding Bonds. The annual report together with the Audited Financial Statements have subsequently been filed.

The County and its related entities have made additional filings to provide certain of the previously omitted information. The County and its related entities have internally reviewed their previous filings and have completed corrective filings on all issues. With respect to notices or rating changes, the County and its related entities have prepared an omnibus corrective notice regarding bond insurer ratings and ratings of the County's general fund debt.

In order to ensure ongoing compliance by the County and its related entities with their continuing disclosure undertakings, (i) the County has instituted new procedures to ensure future compliance and coordination between the County and its related entities; and (ii) the County has contracted with a consultant to assist the County in filing accurate, complete and timely disclosure reports on behalf of the County.

The County was advised by Bank of America Merrill Lynch ("BAML") and Stifel, Nicolaus & Company, Incorporated ("Stifel") that the County was reported by each firm under the current Municipalities Continuing Disclosure Cooperation ("MCDC") initiative of the SEC. The reporting relates to the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, 2012 Series A and 2012 Taxable Series B (County of Riverside Capital Projects) with respect to BAML, and relates to Stifel for the County's Tax and Revenue Anticipation Notes for 2010-2011, 2011-12 and 2012-13, the County of Riverside Asset Leasing Corporation Lease Revenue Bonds (2012 County Administrative Center Refunding Project), and the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Project), all relating to statements in the official statements for those transactions that the County was in compliance with all continuing disclosure requirements. MCDC is a program allowing issuers and underwriters to voluntarily report non-compliance with disclosure obligations. Additionally, the County self-reported under the provisions of MCDC.

## **Litigation**

At the time of delivery of and payment for the Bonds, the Authority and the Successor Agency, respectively, will certify that, except as disclosed herein, to their respective best knowledge there is no litigation, action, suit, proceeding or investigation, at law or in equity, before or by any court, governmental agency or body, pending against or threatened against the Authority or the Successor Agency in any way affecting the existence of the Authority or the Successor Agency or the titles of its officers to their respective offices or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or the Agency Bonds, the application of the proceeds thereof in accordance with the Indenture or the Agency Bonds Indenture, or the collection or application of Tax Revenues to be pledged to pay the principal of and interest on the Bonds or the Agency Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Agency Bonds, the Indenture, the Agency Bonds Indenture, or any action of the Authority or the Successor Agency contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or the powers of the Authority or the Successor Agency or its authority with respect to the Indenture or the Agency Bonds Indenture or any action of the Authority or the Agency contemplated by said documents, or in any way contesting the completeness or accuracy of this Official Statement or the powers of the Authority or the Agency or its authority with respect to the Indenture or the Agency Bonds Indenture or any action of the Authority or the Agency contemplated by said documents, or which would adversely affect the exclusion of interest paid on the Bonds from gross income for Federal income tax purposes or the exemption of interest paid on the Bonds from California personal income taxation, nor, to the knowledge of the Authority or the Successor Agency, is there any basis therefor.

## **Tax Matters**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for the purposes of computing the alternative minimum tax imposed on certain corporations such interest is required to be taken into account in determining certain income and earnings. The opinions described herein are subject to the condition that the Successor Agency and the Authority comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Agency and the Authority have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

### **Legal Opinion**

Jones Hall, A Professional Law Corporation, San Francisco, California, will render opinions with respect to the validity of the Bonds and the Authority Bonds in substantially the forms set forth in Appendix F hereto. Copies of such approving opinions will be available at the time of delivery of the Bonds.

In addition, Best Best & Krieger LLP, as Disclosure Counsel, will deliver to the Authority and to the Underwriter a letter in customary form concerning the information set forth in this Official Statement.

### **Ratings**

The Insured Bonds have received the rating of “\_\_\_” by Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies (“S&P”) with the understanding that upon execution and delivery of the Insured Bonds the Policy insuring the payment when due of the principal and interest on the Insured Bonds will be issued by \_\_\_\_\_. In addition, S&P has assigned its underlying rating of “\_\_\_” on the Bonds.

The rating issued reflects only the view of such rating agency, and any explanation of the significance of such rating should be obtained from such rating agency. There is no assurance that such rating will be retained for any given period of time or will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the Bonds.

### **Underwriting**

Citigroup Global Markets Inc. on behalf of itself and Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) has agreed to purchase the Bonds at a price of \$\_\_\_\_\_ (being the principal amount of the Bonds, plus a net original issue premium of \$\_\_\_\_\_, less an underwriter’s discount of \$\_\_\_\_\_) under a Bond Purchase Contract between the Authority and the Underwriter.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

**Miscellaneous**

All quotations from and summaries and explanations of the Indenture and other statutes and documents contained herein do not purport to be complete, and reference is made to such documents, Indenture and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Authority. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Authority. The information contained herein should not be construed as representing all conditions affecting the Authority, the Agency or the Bonds.

RIVERSIDE COUNTY PUBLIC FINANCING  
AUTHORITY

By: \_\_\_\_\_  
Executive Director

**APPENDIX A**  
**REPORT OF THE FISCAL CONSULTANT**

## APPENDIX B

### INFORMATION REGARDING THE COUNTY OF RIVERSIDE

#### GENERAL INFORMATION

Set forth below is certain information with respect to the County. Such information was prepared by the County except as otherwise indicated.

#### DEMOGRAPHIC AND ECONOMIC INFORMATION

##### Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,308,441 as of January 1, 2015, representing an approximately 1.1% increase over the County's population as estimated for the prior year. For the ten year period of January 1, 2004 to January 1, 2014, the County's population grew by 25.6%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, with a total population of 274,393 as of January 1, 2014. Currently, the growth in the County has tempered due to the economy and in recent years the County's population has grown at a rate close to the statewide average.

The following table sets forth annual population figures, as of January 1 of each year, for cities located within the County for each of the years listed:

#### COUNTY OF RIVERSIDE POPULATION OF CITIES WITHIN THE COUNTY (As of January 1)

| <u>CITY</u>        | <u>2011</u>      | <u>2012</u>      | <u>2013</u>      | <u>2014</u>      | <u>2015</u>      |
|--------------------|------------------|------------------|------------------|------------------|------------------|
| Banning            | 29,723           | 30,051           | 30,177           | 30,325           | 30,491           |
| Beaumont           | 38,966           | 38,851           | 39,787           | 40,876           | 42,481           |
| Blythe             | 20,063           | 20,440           | 19,609           | 18,992           | 18,909           |
| Calimesa           | 7,910            | 8,022            | 8,096            | 8,231            | 8,353            |
| Canyon Lake        | 10,606           | 10,721           | 10,771           | 10,826           | 10,901           |
| Cathedral City     | 51,400           | 52,108           | 52,350           | 52,595           | 52,903           |
| Coachella          | 41,339           | 42,030           | 42,795           | 43,633           | 43,917           |
| Corona             | 153,047          | 154,985          | 156,864          | 159,132          | 160,287          |
| Desert Hot Springs | 27,277           | 27,721           | 27,835           | 28,001           | 28,134           |
| Eastvale           | 54,090           | 55,770           | 57,266           | 59,185           | 60,633           |
| Hemet              | 79,309           | 80,329           | 80,899           | 81,537           | 82,253           |
| Indian Wells       | 4,990            | 5,050            | 5,083            | 5,137            | 5,194            |
| Indio              | 76,817           | 78,298           | 81,415           | 82,398           | 84,201           |
| Jurupa Valley      | -                | 96,745           | 97,272           | 97,774           | 98,885           |
| Lake Elsinore      | 52,294           | 53,183           | 55,444           | 56,718           | 58,426           |
| La Quinta          | 37,688           | 38,190           | 38,412           | 39,032           | 39,694           |
| Menifee            | 79,139           | 80,831           | 82,314           | 83,716           | 85,385           |
| Moreno Valley      | 194,451          | 197,086          | 198,183          | 199,258          | 200,670          |
| Murrieta           | 104,051          | 105,300          | 105,860          | 106,425          | 107,279          |
| Norco              | 26,968           | 27,123           | 26,632           | 26,582           | 25,891           |
| Palm Desert        | 48,920           | 49,619           | 49,962           | 50,417           | 51,053           |
| Palm Springs       | 44,829           | 45,414           | 45,724           | 46,135           | 46,611           |
| Perris             | 69,506           | 70,391           | 70,983           | 72,103           | 72,908           |
| Rancho Mirage      | 17,399           | 17,556           | 17,643           | 17,745           | 17,889           |
| Riverside          | 306,069          | 309,407          | 312,035          | 314,034          | 317,307          |
| San Jacinto        | 44,421           | 44,937           | 45,229           | 45,563           | 45,895           |
| Temecula           | 101,255          | 103,403          | 104,907          | 106,289          | 108,920          |
| Wildomar           | <u>32,414</u>    | <u>32,818</u>    | <u>33,182</u>    | <u>33,718</u>    | <u>34,148</u>    |
| TOTALS             |                  |                  |                  |                  |                  |
| Incorporated       | 1,754,009        | 1,876,494        | 1,896,729        | 1,916,377        | 1,939,618        |
| Unincorporated     | <u>451,722</u>   | <u>357,699</u>   | <u>358,924</u>   | <u>363,590</u>   | <u>368,823</u>   |
| County-Wide        | <u>2,205,731</u> | <u>2,234,193</u> | <u>2,255,653</u> | <u>2,279,967</u> | <u>2,308,441</u> |
| California         | 37,510,766       | 37,668,804       | 37,984,138       | 38,340,074       | 38,714,725       |

Source: State Department of Finance, Demographic Research Unit.



## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other than labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, nontax payments fines, fees, penalties, etc.) and personal contributions to social security insurance and federal retirement payroll deductions. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the County and the State for the period 2011 through 2015:

**RIVERSIDE COUNTY AND CALIFORNIA  
TOTAL EFFECTIVE BUYING INCOME,  
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME AND  
PERCENT OF HOUSEHOLDS WITH INCOMES OVER \$50,000<sup>(1)</sup>**

|                  | <b>Total Effective Buying<br/>Income<sup>(2)</sup></b> | <b>Median Household<br/>Effective Buying<br/>Income</b> | <b>Percent of Households with<br/>Income over \$50,000</b> |
|------------------|--|---|--|
| <b>2011</b>      |  |   |  |
| Riverside County | \$ 38,492,225  | \$44,253  | 43.07%   |
| California       | \$801,393,028  | \$47,117  | 46.78%   |
| <b>2012</b>      |  |   |  |
| Riverside County | \$ 39,981,683  | \$44,116  | 42.91%   |
| California       | \$814,578,458  | \$47,062  | 46.65%   |
| <b>2013</b>      |  |   |  |
| Riverside County | \$ 40,157,310  | \$43,860  | 42.39%   |
| California       | \$864,088,828  | \$47,307  | 46.90%   |
| <b>2014</b>      |  |   |  |
| Riverside County | \$ 40,293,518  | \$44,784  | 43.84%   |
| California       | \$858,676,636  | \$48,340  | 48.17%   |
| <b>2015</b>      |  |   |  |
| Riverside County | \$ 41,199,300  | \$45,576  | 44.79%   |
| California       | \$901,189,699  | \$50,072  | 50.05%   |

<sup>(1)</sup> Estimated, as of January 1 of each year.

<sup>(2)</sup> Dollars in thousands.

Source: Nielsen Solution Center.

## Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in Riverside County increased by 73% between 2002 and 2013. The following tables summarize personal income for Riverside County for 2002 through 2013.

**PERSONAL INCOME**  
**Riverside County**  
**2002-2013**  
**(Dollars in Thousands)**

| <u>Year</u> | <u>Riverside County</u> | <u>Annual<br/>Percent Change</u> |
|-------------|-------------------------|----------------------------------|
| 2002        | \$43,976,839            | 5.4%                             |
| 2003        | 47,637,097              | 8.3                              |
| 2004        | 51,612,837              | 8.3                              |
| 2005        | 55,892,377              | 8.3                              |
| 2006        | 61,110,773              | 9.3                              |
| 2007        | 64,194,014              | 5.0                              |
| 2008        | 65,140,132              | 1.5                              |
| 2009        | 63,652,627              | (2.3)                            |
| 2010        | 65,219,337              | 2.5                              |
| 2011        | 69,757,415              | 7.0                              |
| 2012        | 73,685,111              | 5.6                              |
| 2013        | 76,289,477              | 3.5                              |

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita personal income for Riverside County, California and the United States for 2002-2013. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

**PER CAPITA PERSONAL INCOME**  
**Riverside County, State of California and the United States**  
**2002-2013**

| <u>Year</u> | <u>Riverside County</u> | <u>California</u> | <u>United States</u> |
|-------------|-------------------------|-------------------|----------------------|
| 2002        | \$26,066                | \$34,229          | \$31,800             |
| 2003        | 26,888                  | 35,303            | 32,677               |
| 2004        | 27,801                  | 37,156            | 34,300               |
| 2005        | 28,933                  | 38,964            | 35,888               |
| 2006        | 30,368                  | 41,623            | 38,127               |
| 2007        | 30,934                  | 43,152            | 39,804               |
| 2008        | 30,876                  | 43,608            | 40,873               |
| 2009        | 29,651                  | 41,587            | 39,379               |
| 2010        | 29,612                  | 42,282            | 40,144               |
| 2011        | 31,196                  | 44,749            | 42,332               |
| 2012        | 32,534                  | 47,505            | 44,200               |
| 2013        | 33,278                  | 48,434            | 44,765               |

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

**Industry And Employment**

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area (“PMSA”), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment, as reflected in the following table.

**RIVERSIDE-SAN BERNARDINO-ONTARIO PMSA**  
**ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY<sup>(1)</sup>**  
**(In Thousands)**

| <u>INDUSTRY</u>                                | <u>2010</u>    | <u>2011</u>    | <u>2012</u>    | <u>2013</u>    | <u>2014</u>    |
|--|----------------|----------------|----------------|----------------|----------------|
| Agriculture                                    | 15.0           | 14.9           | 15.0           | 14.6           | 14.3           |
| Construction                                   | 59.7           | 59.1           | 62.6           | 69.3           | 77.0           |
| Finance Activities                             | 41.0           | 39.9           | 40.8           | 42.0           | 42.7           |
| Government                                     | 234.3          | 227.5          | 224.6          | 225.0          | 228.8          |
| Manufacturing:                                 | 85.1           | 85.1           | 86.7           | 86.8           | 90.2           |
| Nondurables                                    | 29.8           | 29.3           | 29.8           | 29.8           | 30.4           |
| Durables                                       | 55.3           | 55.8           | 56.8           | 57.0           | 59.8           |
| Natural Resources and Mining                   | 1.0            | 1.0            | 1.2            | 1.2            | 1.3            |
| Retail Trade                                   | 155.5          | 158.5          | 162.3          | 164.8          | 168.7          |
| Professional, Educational and other Services   | 438.5          | 446.3          | 463.6          | 491.4          | 518.9          |
| Transportation, Warehousing and Utilities      | 66.6           | 68.8           | 73.8           | 78.6           | 87.3           |
| Wholesale Trade                                | 48.6           | 49.0           | 52.1           | 56.0           | 59.0           |
| Information, Publishing and Telecommunications | 14.0           | 12.1           | 11.5           | 11.3           | 11.2           |
| Total, All Industries                          | <u>1,159.3</u> | <u>1,162.2</u> | <u>1,194.2</u> | <u>1,241.0</u> | <u>1,299.5</u> |

<sup>(1)</sup> The employment figures by industry which are shown above are not directly comparable to the “Total, All Industries” employment figures due to rounded data.

Source: State Employment Development Department, Labor Market Information Division, as of March 2014.

The following table sets forth the major employers located in the County as of 2014:

**COUNTY OF RIVERSIDE  
CERTAIN MAJOR EMPLOYERS  
(2014)**

| <u>Rank</u> | <u>Name of Business</u>                    | <u>Employees</u> | <u>Type of Business</u> |
|-------------|--|------------------|-------------------------|
| 1.          | County of Riverside                        | 19,916           | County Government       |
| 2.          | March Air Reserve Base                     | 8,500            | Military Reserve Base   |
| 3.          | Stater Brothers Market                     | 6,900            | Supermarkets            |
| 4.          | University of California, Riverside        | 5,514            | University              |
| 5.          | Kaiser Permanente Riverside Medical Center | 5,270            | Medical Center          |
| 6.          | Pechanga Resort & Casino                   | 4,500            | Casino & Resort         |
| 7.          | Corona Norco Unified School District       | 4,300            | School District         |
| 8.          | Walmart                                    | 4,068            | Retail Stores           |
| 9.          | Riverside Unified School District          | 4,000            | School District         |
| 10.         | Hemet Unified School District              | 3,572            | School District         |

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2014.

Unemployment statistics for the County, the State and the United States are set forth in the following table:

**COUNTY OF RIVERSIDE  
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA**

|                              | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| County <sup>(1)</sup>        | 14.5%       | 13.7%       | 2.1%        | 10.3%       | 8.2%        | 6.6%        |
| California <sup>(1)</sup>    | 12.4        | 11.8        | 10.4        | 8.9         | 7.5         | 6.7         |
| United States <sup>(2)</sup> | 9.6         | 8.9         | 8.1         | 7.4         | 6.2         | 5.5         |

<sup>(1)</sup> Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

<sup>(2)</sup> Data is seasonally adjusted.

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

**Commercial Activity**

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also two factory outlet malls (Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The following table sets forth taxable transactions in the County for the years 2009 through 2013, the most recent year for which data is currently available:

**COUNTY OF RIVERSIDE  
TAXABLE SALES TRANSACTIONS  
(In Thousands)**

| <u>Year</u> | <u>Retail Permits</u> | <u>Retail Stores Taxable Transactions</u> | <u>Total Permits</u> | <u>Total Outlets Taxable Transactions</u> |
|-------------|-----------------------|---|----------------------|---|
| 2009        | 29,829                | \$16,057,488                              | 42,765               | \$22,227,877                              |
| 2010        | 32,534                | 16,919,500                                | 45,688               | 23,152,780                                |
| 2011        | 33,398                | 18,576,285                                | 46,886               | 25,641,497                                |
| 2012        | 34,683                | 20,016,668                                | 46,316               | 28,096,009                                |
| 2013        | 33,391                | 21,306,774                                | 46,805               | 30,065,467                                |

Note: In 2009, retail permits expanded to include permits for food services.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

**Building and Real Estate Activity**

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2010.

**COUNTY OF RIVERSIDE  
BUILDING PERMIT VALUATIONS<sup>(1)</sup>  
(In Thousands)**

|                    | <u>2010</u>    | <u>2011</u>    | <u>2012</u>    | <u>2013</u>    | <u>2014</u>    |
|--------------------|----------------|----------------|----------------|----------------|----------------|
| Valuation (\$000): |                |                |                |                |                |
| Residential        | \$1,079,637    | \$873,411      | \$1,079,405    | \$1,375,593    | \$1,621,751    |
| Non-Residential    | <u>539,379</u> | <u>559,398</u> | <u>657,595</u> | <u>873,977</u> | <u>814,990</u> |
| Total*             | \$1,619,016    | \$1,432,809    | \$1,737,000    | \$2,249,570    | \$2,436,741    |
| Residential Units: |                |                |                |                |                |
| Single Family      | 4,031          | 2,659          | 3,720          | 4,716          | 5,007          |
| Multiple Family    | <u>526</u>     | <u>1,061</u>   | <u>909</u>     | <u>1,427</u>   | <u>1,931</u>   |
| Total              | 4,557          | 3,720          | 4,629          | 6,143          | 6,938          |

\* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

**COUNTY OF RIVERSIDE  
NUMBER OF NEW DWELLING UNITS**

|               | <u>2010</u>  | <u>2011</u>  | <u>2012</u>  | <u>2013</u>  | <u>2014</u>  |
|---------------|--------------|--------------|--------------|--------------|--------------|
| Single Family | 4,031        | 2,676        | 3,455        | 4,671        | 5,007        |
| Multi-Family  | <u>526</u>   | <u>1,073</u> | <u>829</u>   | <u>1,415</u> | <u>1,931</u> |
| TOTAL         | <u>4,557</u> | <u>3,749</u> | <u>4,284</u> | <u>7,886</u> | <u>6,938</u> |

Source: Construction Industry Research Board for 2010 through 2011, California Homebuilding Foundation for 2012 through 2014.

The following table sets forth a comparison of annual median housing prices for Los Angeles County, Riverside County and Southern California for the years indicated.

**COUNTY OF RIVERSIDE  
COMPARISON OF MEDIAN HOUSING PRICES**

| <u>Year</u> | <u>Los Angeles</u> | <u>Riverside</u> | <u>San Bernardino</u> | <u>Southern California</u> <sup>(1)</sup> |
|-------------|--------------------|------------------|-----------------------|---|
| 2009        | 320,000            | 190,000          | 150,000               | 270,000                                   |
| 2010        | 335,000            | 200,000          | 155,000               | 290,000                                   |
| 2011        | 315,000            | 195,000          | 150,000               | 280,000                                   |
| 2012        | 330,000            | 210,000          | 163,000               | 300,000                                   |
| 2013        | 411,000            | 259,000          | 205,000               | 370,000                                   |
| 2014        | 455,000            | 293,000          | 240,000               | 410,000                                   |

<sup>(1)</sup> Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.  
Source: MDA DataQuick Information Systems.

The following table sets forth a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years indicated.

**COUNTY OF RIVERSIDE  
COMPARISON OF HOME FORECLOSURES**

| <u>Year</u> | <u>Los Angeles</u> | <u>Riverside</u> | <u>San Bernardino</u> | <u>Southern California</u> <sup>(1)</sup> |
|-------------|--------------------|------------------|-----------------------|---|
| 2009        | 29,943             | 25,309           | 19,560                | 100,106                                   |
| 2010        | 26,827             | 20,598           | 16,757                | 86,853                                    |
| 2011        | 25,597             | 17,383           | 14,181                | 77,105                                    |
| 2012        | 15,271             | 10,657           | 9,262                 | 47,347                                    |
| 2013        | 6,469              | 4,191            | 4,088                 | 19,470                                    |
| 2014        | 4,566              | 2,912            | 2,984                 | 13,787                                    |

<sup>(1)</sup> Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.  
Source: MDA DataQuick Information Systems.

**Agriculture**

Agriculture remains an important source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, bell peppers, dates, lemons and avocados.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border.

The value of agricultural production in the County for 2009 through 2013 is presented in the following table:

**COUNTY OF RIVERSIDE  
VALUE OF AGRICULTURAL PRODUCTION**

|                                 | <u>2009</u>            | <u>2010</u>            | <u>2011</u>            | <u>2012</u>            | <u>2013</u>            |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Citrus Fruits                   | \$ 101,652,000         | \$ 140,500,922         | \$ 119,942,513         | \$ 125,711,000         | \$ 142,404,000         |
| Trees and Vines                 | 191,682,600            | 164,993,960            | 232,649,262            | 217,214,000            | 232,536,000            |
| Vegetables, Melons, Misc.       | 221,286,700            | 292,002,337            | 278,628,295            | 286,234,000            | 340,407,000            |
| Field and Seed Crops            | 69,699,800             | 81,328,229             | 149,198,052            | 147,352,000            | 154,582,000            |
| Nursery                         | 206,499,900            | 169,341,300            | 200,154,964            | 190,878,000            | 191,215,000            |
| Apiculture                      | 5,017,600              | 4,631,700              | 4,844,400              | 4,983,000              | 4,715,000              |
| Aquaculture Products            | <u>5,243,900</u>       | <u>4,921,700</u>       | <u>4,808,250</u>       | <u>4,205,000</u>       | <u>2,262,000</u>       |
| Total Crop Valuation            | \$ 801,082,500         | \$ 857,720,148         | \$ 990,225,736         | \$ 976,577,000         | \$1,068,121,000        |
| Livestock and Poultry Valuation | <u>214,672,800</u>     | <u>235,926,225</u>     | <u>292,030,380</u>     | <u>276,553,000</u>     | <u>259,683,000</u>     |
| Grand Total                     | <u>\$1,015,755,300</u> | <u>\$1,093,646,373</u> | <u>\$1,282,256,116</u> | <u>\$1,253,130,000</u> | <u>\$1,327,804,000</u> |

Source: Riverside County Agricultural Commissioner

**Transportation**

Several major freeways and highways provide access between the County and all parts of Southern California. State Route 91 extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses most of the width of the County, the western-most portion of which links up with major cities and freeways in Los Angeles County and the southern part of San Bernardino County, with the eastern part linking to the County's desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. State Route 60 provides an alternate (to Interstate 10) east-west link to Los Angeles County.

Currently, Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Indio. Freight service to major west coast and national markets is provided by two transcontinental railroads -- Union Pacific Railroad and the Burlington Northern and Santa Fe Railway Company. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, service the area from Desert Hot Springs to Oasis and from Palm Springs to Riverside. The Palo Verde Valley Transit Agency provides service in the far eastern portion of the County (City of Blythe and surrounding communities).

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by Los Angeles World Airports, a proprietary department of the City of Los Angeles. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona, and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

## **Education**

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Ninety-five percent of all K-12 students attend schools in the unified school districts. The three largest unified school districts are Corona-Norco Unified School District, Riverside Unified School District and Moreno Valley Unified School District.

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also three universities located in the City of Riverside -- the University of California, Riverside, La Sierra University and California Baptist University.

## **Environmental Control Services**

**Water Supply.** The County obtains a large part of its water supply from groundwater sources, with certain areas of the County, such as the City of Riverside, relying almost entirely on groundwater. As in most areas of Southern California, this groundwater source is not sufficient to meet countywide demand and the County's water supply is supplemented by imported water. At the present time, imported water is provided by Metropolitan Water District from the Colorado River via the Colorado River Aqueduct and the State Water Project via the Edmund G. Brown California Aqueduct. In the Southwest area of the County, 80% of the water supply is imported.

At the regional and local level, there are several water districts that were formed for the primary purpose of supplying supplemental water to the cities and agencies within their areas. The Coachella Valley Water District, the Western Municipal Water District and the Eastern Municipal Water District are the largest of these water districts in terms of area served. The San Geronio Pass Water Agency, Desert Water Agency, Palo Verde Irrigation District and Rancho California Water District also provide supplemental water to cities and agencies within the County.

The uncertainty associated with long-term water supply is a major concern of local and regional water agencies in California, especially southern California, which has been exacerbated due to the recent drought. The governor and the state legislature have been engaged in discussions to develop a comprehensive, state-wide water supply, storage and conveyance solution. However, no assurance can be made that a sustainable solution will be achieved within a reasonable timeframe.

Consequently, the Board of Supervisors adopted Ordinance 859.2 -Water Efficient Landscaping Ordinance, which conforms to AB 1881. AB 1881 requires that measures be taken to assure the maintenance and protection of natural resources (water) by requiring that the resources be conserved through the implementation of water efficient landscape practices for new developments. As an added measure, the Board of Supervisors amended Policy H-25 requiring the retrofit of public buildings to conform to the requirements of Ordinance 859.2.

**Flood Control.** Primary responsibility for planning and construction of flood control and drainage systems within the County is provided by the Riverside County Flood Control and Water Conservation District and the Coachella Valley Water District, Storm Water Unit.

**Sewage.** There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. Most residents in rural areas of the County which are unsewered rely upon septic tanks and leach fields for sewage disposal.



**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS  
FOR THE CITY OF HEMET  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

**APPENDIX D**

**SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS**

## APPENDIX E

### DTC AND THE BOOK ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of, premium, if any, and interest on the Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the Authority believes to be reliable, but the Authority does not take responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of principal, premium, if any, and interest with respect to the Bonds or (b) certificates representing ownership interests in or other confirmation of ownership interests in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, 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 maturity (and each individual yield in the case of bifurcated maturities) of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, 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. DTC holds and provides asset servicing for over 3.5 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor’s rating of AA+. 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); provided that nothing contained in such website is incorporated into this Official Statement.

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 each Bond (“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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit will agree to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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).

Redemption proceeds, distributions, and dividend payments 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 Authority or the Trustee, on 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 Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

**NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.**

DTC (or a successor securities depository) may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority. The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC (or a successor securities depository) with respect to the Bonds. The Authority undertakes no obligation to investigate matters that would enable the Authority to make such a determination. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

THE AUTHORITY AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES 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 AUTHORITY AND THE UNDERWRITERS ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE BONDS OR AN ERROR OR DELAY RELATING THERETO.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority deems reliable, but the Authority takes no responsibility for the accuracy thereof.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered as described in the Indenture and payment of interest to each Owner who owns of record \$1,000,000 or more in aggregate principal amount of Bonds may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15th day after the Trustee's receipt of such request.

**APPENDIX F**

**FORM OF OPINION OF BOND COUNSEL  
BOND COUNSEL OPINION FOR AUTHORITY BONDS**

**BOND COUNSEL OPINION FOR AGENCY BONDS**

## APPENDIX G

### FORM OF CONTINUING DISCLOSURE AGREEMENT

**THIS CONTINUING DISCLOSURE AGREEMENT**, dated as of \_\_\_\_\_, 2015, (this “Disclosure Agreement”), is by and between the RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the “Authority”), and the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE, a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California (as successor agency to the County of Riverside Redevelopment Agency, the “Agency”), in connection with the issuance of the Authority’s 2015 Tax Allocation Revenue Bonds, Series A (the “Authority Bonds”) pursuant to an Indenture of Trust, dated as of \_\_\_\_\_, 2015 (the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Authority Trustee”).

#### WITNESSETH:

**WHEREAS**, the County of Riverside (the “County”) has developed a program (the “Refunding Program”) to assist the successor agencies to former community redevelopment agencies within the County to refund tax increment obligations pursuant to California Assembly Bill 1484 (Stats 2012 c. 26) (“AB 1484”) in order to provide debt service savings to successor agencies and to increase property tax revenues available for distribution to affected taxing entities, including the County; and

**WHEREAS**, the Authority is empowered under the provisions of Article 4, Chapter 5, Division 7, Title 1 of the California Government Code to issue its bonds for the purpose of purchasing certain local obligations issued by certain local agencies, including tax allocation refunding bonds issued by said successor agencies, as described in Section 34177.5(a)(1) of the California Health and Safety Code; and

**WHEREAS**, the Authority has determined to issue the Authority Bonds in order to provide funds to acquire bonds issued by the Agency, in order to assist the Agency in refunding certain of its outstanding bonds pursuant to AB 1484; and

**WHEREAS**, the Agency has issued its Tax Allocation Refunding, \_\_\_\_\_ (the “Series \_\_ Bonds”) (the “Refunding Bonds”) pursuant to three separate Indentures of Trust, each dated as of \_\_\_\_\_, 2015 (the “Indenture”), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Agency Trustee”), as amended or supplemented from time to time in accordance with its terms; and

**WHEREAS**, such Refunding Bonds will be secured by a pledge of, and lien on, and shall be repaid from Tax Revenues deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the California Health and Safety Code; and

**WHEREAS**, this Disclosure Agreement is being executed and delivered by the Authority and the Agency for the benefit of the holders and beneficial owners of the Authority Bonds and in order to assist the underwriters of the Authority Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

**NOW, THEREFORE**, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

**Section 1. Definitions.** Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.



“**Annual Report**” means any Annual Report provided by the Agency pursuant to, and as described in, Sections 2 and 3 hereof.

“**Annual Report Date**” means the date in each year that is the first day of the month following the ninth month after the end of the Agency’s fiscal year, which date, as of the date of this Disclosure Agreement, is December 31, commencing December 31, 2015.

“**Agency**” means the Successor Agency to the Redevelopment Agency for the County of Riverside, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

“**Agency Trustee**” means The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture, or any successor thereto as trustee thereunder, substituted in its place as provided therein.

“**Authority**” means the Riverside Public Financing Authority duly organized and existing under and pursuant to the laws of the State of California and a Joint Exercise of Powers Agreement, dated as of March 20, 1990, between the County and the Redevelopment Agency for the County of Riverside.

“**Authority Trustee**” means The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture, or any successor trustee substituted in its place as provided therein.

“**Bonds**” means, collectively, the Authority Bonds and the Refunding Bonds.

“**County**” means the County of Riverside, a political subdivision of the State of California.

“**County Auditor-Controller**” means the Auditor-Controller of the County of Riverside.

“**Disclosure Representative**” means the Agency or other entity as shall designate in writing to the Authority and the Dissemination Agent (if other than the Authority) from time to time.

“**Dissemination Agent**” means the Authority, acting in its capacity as Dissemination Agent hereunder, or any successor dissemination agent designated in writing by the Authority and which has filed with the Authority and the Agency a written acceptance of such designation.

“**Listed Events**” means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

“**MSRB**” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“**Official Statement**” means the Official Statement, dated \_\_\_\_\_, 2015, relating to the Authority Bonds.

“**Participating Underwriter**” means any of the original underwriters of the Authority Bonds required to comply with the Rule in connection with the offering of the Authority Bonds.

“**Project Area**” shall have the meaning specified in the Official Statement.

“**Rule**” means 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.

**Section 2. Provision of Annual Reports.** (a) The Agency shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report which is consistent with the requirements of Section 3 hereof,

not later than the Annual Report Date, commencing with the report for the 2014-15 Fiscal Year. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the Agency, if any, 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 they are not available by that date. If the Agency's fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Authority Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the Agency shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency and the Dissemination Agent to determine if the Agency is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the Authority and the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

**Section 3. Content of Annual Reports.** The Annual Report shall be prepared by the Agency and shall contain or include by reference the following:

(a) The Agency's separate audited financial statements, or the City's audited financial statements including Agency operations as a trust fund, 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 such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements in a format similar to that used for the audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Agency, substantially similar to that provided in the corresponding tables relating to the Agency and the Project Area in the Official Statement (and where not specified by date or period for the preceding fiscal year):

(i) Taxable assessed values for the most recent fiscal year in substantially the format of Tables \_\_\_ of the Official Statement;

(ii) An update of the ten largest assessesees in substantially the format of Tables \_\_\_ of the Official Statement for the most recent fiscal year;

(iii) An update of Debt Service Coverage for the Bond Year ending on the immediately preceding September 1 in substantially the format of Tables \_\_\_ of the Official Statement;

(iv) If the Agency is not in a County Teeter Plan, tax levy, percentage of current year levy collected, percentage of current levy delinquent, total collections and total collections as a percentage of the most recent year's tax levy;

(v) Information related to Project Area assessed valuation appeals by top ten taxpayers.

(c) In addition to any of the information expressly required to be provided under subsections (a) and (b) of this Section, the Agency shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

Any or all of the items described 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 the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Agency shall clearly identify each such other document so included by reference.

**Section 4. Reporting of Significant Events.** (a) Pursuant to the provisions of this Section, the Agency shall give, or cause to be given with respect to the Refunding Bonds, and hereby authorizes the Authority to give, or cause to be given, with respect to the Authority Bonds, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.
- (v) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).
- (vi) Tender offers.
- (vii) Redemptions and Defeasances.
- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

For purposes of the event identified in paragraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section, the Agency shall give, or cause to be given with respect to the Refunding Bonds, and hereby authorizes the Authority to give, or cause to be given, with respect to the Authority Bonds, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) Unless described in paragraph (v) of subsection (a) of this Section, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds.

(ii) Modifications to rights of holders of the Bonds.

(iii) Optional, unscheduled or contingent Bond calls.

(iv) Release, substitution, or sale of property securing repayment of the Bonds.

(v) Non-payment related defaults.

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vii) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Authority shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and the Dissemination Agent and inform such persons of the event.

(d) Whenever the Agency or the Authority obtains knowledge of the occurrence of a Listed Event described in subsection (b) of this Section, the Agency or the Authority, as applicable shall determine if such event would be material under applicable Federal securities law.

(e) Whenever the Agency or the Authority obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that the occurrence of a Listed Event described in subsection (b) of this Section is material under subsection (d) of this Section, the Agency or the Authority, as applicable shall, or shall cause the Dissemination Agent (if the Authority is not the Dissemination Agent) to, file a notice of the occurrence of such Listed Event with the MSRB within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notice of Listed Events described in paragraph (iii) of subsection (a) of this Section and in paragraph (vii) of subsection (a) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Authority Bonds pursuant to the Indenture.

**Section 5. Format for Filings with MSRB.** Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

**Section 6. Termination of Reporting Obligation.** The obligations of the Agency, the Authority and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Authority Bonds relating to the Refunding Bonds or the legal defeasance, prior prepayment or payment in full of all of the Refunding Bonds, if earlier. If such termination occurs prior to the final principal payment date of the Authority Bonds, the Authority shall give notice of such termination in a filing with the MSRB.

**Section 7. Dissemination Agent.** The Agency may, from time to time, appoint or engage a Dissemination Agent (if the Authority is not the Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent (if other than the Authority or the Authority Trustee), with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Authority and the Agency.

**Section 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Agency may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsections (a) or (b) of Section 4 hereof, 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 Authority Bonds, or the 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 Authority 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 (i) is approved by holders of the Authority 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 holders or beneficial owners of the Authority Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Agency shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other reasonable means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

**Section 10. Default.** The parties hereto acknowledge that in the event of a failure of the Authority, the Agency or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Authority Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate amount of principal evidenced by Outstanding Authority Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Authority Trustee), or any holder or beneficial owner of the Authority Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority, the Agency or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure

Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall (so long as the Authority is the Dissemination Agent) be entitled to the protections and limitations from liability afforded to the Authority under the Indenture. The Dissemination Agent shall be not responsible for the form or content of financial statements made part of any Annual Report or notice of Listed Event or for information sourced to the Agency. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent (if other than the Authority or the Authority acting in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the Agency shall indemnify and save the Dissemination Agent (if other than the Authority) and the Authority harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or its willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Authority Bonds and the Refunding Bonds.

**Section 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Authority, the Agency, the Dissemination Agent, the Participating Underwriter and the holder and beneficial owners from time to time of the Authority Bonds, and shall create no rights in any other person or entity.

**Section 13. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Balance of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

**RIVERSIDE COUNTY PUBLIC FINANCING  
AUTHORITY**

By: \_\_\_\_\_  
Treasurer

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY FOR THE  
COUNTY OF RIVERSIDE**

By: \_\_\_\_\_

**ACCEPTED AND AGREED:**

**RIVERSIDE COUNTY PUBLIC FINANCING  
AUTHORITY, as Dissemination Agent**

By: \_\_\_\_\_  
Authorized Officer

**ACKNOWLEDGED AND AGREED:**

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Authority Trustee**

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Riverside County Public Financing Authority  
Name of Issue: Riverside County Public Financing Authority  
2015 Tax Allocation Revenue Bonds, Series A  
(Project Area No. 1, Desert Communities and Interstate 215 Corridor Projects)  
Obligated Person: Successor Agency to the Redevelopment Agency for the County of Riverside  
Date of Issuance: \_\_\_\_\_, 2015

NOTICE IS HEREBY GIVEN that the Successor Agency to the Redevelopment Agency to the County of Riverside (the "Agency") has not provided an Annual Report with respect to the above-named bonds as required by the Continuing Disclosure Agreement, dated as of December 1, 2015, by and between the Riverside County Public Financing Authority and the Agency. The Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

**RIVERSIDE COUNTY PUBLIC FINANCING  
AUTHORITY, as Dissemination Agent, on  
behalf of the Successor Agency to the  
REDEVELOPMENT AGENCY FOR THE  
COUNTY OF RIVERSIDE**

cc: Successor Agency to the Redevelopment Agency for the County of Riverside



**APPENDIX H**

**STATE DEPARTMENT OF FINANCE  
DETERMINATION LETTER APPROVING THE BONDS**