

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

808



FROM: Successor Agency to the Redevelopment Agency

SUBMITTAL DATE:
August 6, 2015

SUBJECT: Refunding of Outstanding Bonds of the Dissolved Redevelopment Agency, All Districts
[\$755,000] (Vote on Separately)

RECOMMENDED MOTION: That the Successor Agency:

1. Adopt Successor Agency Resolution No. 2015-009 confirming the issuance of refunding tax allocation bonds to refinance the 2005 Series A, Series D and Series E Bonds and the 2005 Housing Bonds, approving the Preliminary and Final Official Statements and approving for other matters properly related thereto, and
2. Direct staff to take the necessary actions to complete the issuance of the Refunding Bonds.

BACKGROUND:

Summary

(commences on next page)

Imelda Delos Santos

Imelda Delos Santos
Management Analyst

FORM APPROVED BY COUNTY COUNSEL
DATE 8/6/15
BY: JAMES E. BRYAN
Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 755,000	\$ 0	\$ 755,000	\$ N/A	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ N/A	\$ N/A	\$ N/A	\$ N/A	

SOURCE OF FUNDS: Bond Proceeds

Budget Adjustment: No
For Fiscal Year: 15/16

C.E.O. RECOMMENDATION:

APPROVE

BY: *Alex Gann*
Alex Gann

County Executive Office Signature

**MINUTES OF THE BOARD OF SUPERVISORS OF THE SUCCESSOR AGENCY TO
THE REDEVELOPMENT AGENCY**

On motion of Supervisor Benoit, seconded by Supervisor Jeffries and duly carried,
IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington and Benoit
Nays: None
Absent: Ashley
Date: August 18, 2015
xc: E.O.

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

Prev. Agn. Ref.: June 16, 2015, 4-2

District: All,

Agenda Number:

BACKGROUND:

4-1

- Positions Added
- Change Order
- A-30
- 4/5 Vote

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11:**

DATE: August 5, 2015

PAGE: 2 of 2

Summary

On June 16, 2015, the Board of Supervisors, via Agenda Item 4-2, approved Successor Agency Resolution No. 2015-007 and 2015-008, requesting direction to undertake proceedings for the refunding of outstanding 2005 Series A, Series D and Series E and the 2005 Housing Bonds of the former Redevelopment Agency for the County of Riverside and providing for other matters relating thereto, including submission to the Department of Finance (DOF). At that time it was noted that the final disclosure documents of the proposed bond issue will be brought back to the Successor Agency for approval after submission to the Department of Finance (DOF) and to coincide with its expected approval date.

The Successor Agency now confirms its actions in the Bond Resolutions authorizing and approving the issuance and sale of the Refunding Bonds and approving the preliminary and final official statements and approving for other matters properly related thereto.

As noted in the prior submission: the term of the existing bonds will not be extended and the refunding bonds produce savings well in excess of the Board's present value savings target of 3% (Board Policy B-24 for the Riverside County Debt Advisory Committee). The \$755,000 cost to issue the four new series of bonds will be paid out of bond proceeds.

The anticipated approximate amounts of the proposed bond issues, savings percentages, and savings amounts are shown in the table below.

2015 Refunding Housing Bonds Refinancing Summary

Issue	2015 RCPFA Bonds	2015 Housing Bonds
Size	\$53,270,000	\$12,465,000
PV Savings	\$3,450,673	\$1,257,494
PV Savings As %	5.77%	8.86%
Avg. Savings	\$464,328	\$93,139
Total Savings	\$10,215,203	\$1,676,503

As of August 3, 2015.

These refunding bonds will be issued within thirty days, based upon the current schedule.

Impact on Citizens and Businesses

This item will be beneficial for the citizens of Riverside County due to the surplus tax revenue that will be derived from the refinancing at lower rates. Taxing entities will share the surplus property taxes from the project areas which will be distributed to the County, cities, schools, and special districts in Riverside County.

The savings in debt service payments that would otherwise be paid to bondholders will be distributed to those taxing entities including the County General Fund and K-12 school districts and community college districts (approximately 60% combined) and finally cities and special districts.

RESOLUTION NO. 2015-009

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE CONFIRMING THE ISSUANCE OF REFUNDING BONDS IN ORDER TO REFUND CERTAIN OUTSTANDING BONDS OF THE DISSOLVED REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE, APPROVING PRELIMINARY AND FINAL OFFICIAL STATEMENTS AND PROVIDING FOR OTHER MATTERS PROPERLY RELATED THERETO

WHEREAS, pursuant to Section 34172(a) of the California Health and Safety Code (unless otherwise noted, all Section references hereinafter being to such Code), the Redevelopment Agency for the County of Riverside (the "Former Agency") has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173, the Successor Agency to the Redevelopment Agency for the County of Riverside (the "Successor Agency") has become the successor entity to the Former Agency;

WHEREAS, prior to the dissolution of the Former Agency, the Former Agency issued its Redevelopment Agency for the County of Riverside Redevelopment Project Area No. 1 2005 ~~Max~~ Allocation Bonds, Series A (the "Prior Series A Bonds") in the initial aggregate principal amount of \$29,055,000 for the purpose of financing redevelopment activities;

FORM APPROVED COUNTY COUNSEL
 BY: 8/6/15
 DATE ASSIGNED

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3 **WHEREAS**, prior to the dissolution of the Former Agency, the
4 Former Agency issued its Redevelopment Agency for the County of
5 Riverside Desert Communities Redevelopment Project Area 2005 Tax
6 Allocation Bonds, Series D (the "Prior Series D Bonds") in the
7 initial aggregate principal amount of \$16,995,000 for the purpose
8 of financing redevelopment activities;
9

10 **WHEREAS**, prior to the dissolution of the Former Agency, the
11 Former Agency issued its Redevelopment Agency for the County of
12 Riverside Interstate 215 Corridor Redevelopment Project Area
13 2005 Tax Allocation Bonds, Series E (the "Prior Series E Bonds"
14 and together with the Prior Series A Bonds and the Prior Series
15 D Bonds, the "Prior Bonds") in the initial aggregate principal
16 amount of \$25,420,000 for the purpose of financing redevelopment
17 activities;
18

19 **WHEREAS**, Section 34177.5 authorizes the Successor Agency to
20 issue refunding bonds pursuant to Article 11 (commencing with
21 Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5
22 of the Government Code (the "Refunding Law") for the purpose of
23 achieving debt service savings within the parameters set forth
24 in Section 34177.5(a)(1) (the "Savings Parameters");
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27 **WHEREAS**, the Successor Agency, pursuant to Resolution No.
28 2015-007 (the "Non-Housing Bond Resolution"), adopted on June

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3 16, 2015, approved the issuance of (i) Successor Agency to the
4 Redevelopment Agency for the County of Riverside Redevelopment
5 Project Area No. 1 2015 Tax Allocation Refunding Bonds, Series A
6 (the "Refunding Series A Bonds") in the aggregate principal
7 amount of not to exceed \$30,000,000, (ii) Successor Agency to
8 the Redevelopment Agency for the County of Riverside Desert
9 Communities Redevelopment Project Area 2015 Tax Allocation
10 Refunding Bonds, Series D (the "Refunding Series D Bonds") in
11 the aggregate principal amount of not to exceed \$20,000,000, and
12 (iii) Successor Agency to the Redevelopment Agency for the
13 County of Riverside Interstate 215 Corridor Redevelopment
14 Project Area 2015 Tax Allocation Refunding Bonds, Series E (the
15 "Refunding Series E Bonds" and, together with the Refunding
16 Series A Bonds and the Refunding Series D Bonds, the "Refunding
17 Non-Housing Bonds") in the aggregate principal amount of not to
18 exceed \$25,000,000, in order to refund the Prior Non-Housing
19 Bonds, subject to the Savings Parameters being met, and
20 requested that the Oversight Board for the Successor Agency (the
21 "Oversight Board") approve the issuance of the Refunding Non-
22 Housing Bonds by the Successor Agency;
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24
25 **WHEREAS**, the Successor Agency, pursuant to Resolution No.
26 2015-008 (the "Housing Bond Resolution" and, together with the
27 Non-Housing Bond Resolution, the "Bond Resolutions"), adopted on
28 June 16, 2015, approved the issuance of Successor Agency to the

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3 Redevelopment Agency for the County of Riverside 2015 Tax
4 Allocation Housing Refunding Bonds, Series A (the "Refunding
5 Housing Bonds" and, together with the Refunding Non-Housing
6 Bonds, the "Refunding Bonds") in the aggregate principal amount
7 of not to exceed \$18,000,000, in order to refund the Prior
8 Housing Bonds, subject to the Savings Parameters being met, and
9 requested that the Oversight Board approve the issuance of the
10 Refunding Housing Bonds by the Successor Agency;

11
12 **WHEREAS**, the Oversight Board, by Resolution OB No. 2015-007
13 (the "OB Non-Housing Resolution"), adopted June 18, 2015,
14 approved the issuance of the Refunding Non-Housing Bonds and by
15 Resolution OB No. 2015-008 (the "OB Housing Resolution" and,
16 together with the OB Non-Housing Resolutions, the "OB
17 Resolutions"), adopted June 18, 2015, approved the issuance of
18 the Refunding Housing Bonds, and the OB Resolutions, together
19 with additional materials, have been submitted to the California
20 Department of Finance for its approval of the OB Resolutions and
21 the issuance of the Refunding Bonds;

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24 **WHEREAS**, the Successor Agency pursuant to the Non-Housing
25 Bond Resolution, also approved the sale of the Non-Housing
26 Refunding Bonds to the Riverside County Public Financing
27 Authority (the "Authority"), and the Authority intends to issue
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3 its own bonds (the "Authority Bonds") in order to obtain the
4 funds necessary to purchase the Refunding Bonds;

5
6 **WHEREAS**, the Successor Agency and the Authority, with the
7 assistance of their disclosure counsel, Best Best & Krieger LLP,
8 have prepared a draft of an Official Statement for the Authority
9 Bonds (the "Authority Bonds Official Statement"), which contains
10 information regarding the Non-Housing Refunding Bonds, the
11 Authority Bonds, the Former Agency, the Successor Agency, and
12 the Former Agency's Redevelopment Project Areas, the preliminary
13 form of which is on file with the Secretary of the Successor
14 Agency;

15
16 **WHEREAS**, the Successor Agency, with the assistance of its
17 disclosure counsel, Best Best & Krieger LLP, has prepared a
18 draft of an Official Statement for the Housing Refunding Bonds
19 (the "Housing Refunding Bonds Official Statement" and together
20 with the "Authority Bonds Official Statement," the "Official
21 Statements"), which contains information regarding the Housing
22 Refunding Bonds, the Former Agency, the Successor Agency, and
23 the Former Agency's Redevelopment Project Areas, the preliminary
24 form of which is on file with the Secretary of the Successor
25 Agency;
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3 **WHEREAS**, the Successor Agency, with the aid of its staff,
4 has reviewed the Official Statements and wishes at this time to
5 approve their use and distribution as in the public interests of
6 the Successor Agency and applicable taxing entities;

7 **NOW, THEREFORE**, the Successor Agency to the Redevelopment
8 Agency for the County of Riverside RESOLVES as follows:
9

10 1. Confirmation of Approval of Issuance of the Refunding
11 Bonds. The Successor Agency hereby confirms its actions in the
12 Bond Resolutions authorizing and approving the issuance and sale
13 of the Refunding Bonds.
14

15 2. Approval of Official Statements. The Successor Agency
16 hereby approves the preliminary Official Statements in
17 substantially the forms on file with the Secretary of the
18 Successor Agency. Distribution of the preliminary Official
19 Statements by the Successor Agency, the Authority (with respect
20 to the Non-Housing Bonds Official Statement) and the
21 underwriters of the Authority Bonds and the Refunding Bonds
22 (collectively, the "Underwriters") is hereby approved, and,
23 prior to the distribution of the preliminary Official
24 Statements, the County Executive Officer and the Deputy County
25 Executive Officer of the County of Riverside, on behalf of the
26 Successor Agency (each, an "Authorized Officer"), each acting
27 alone, are authorized and directed, on behalf of the Successor
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3 Agency, to deem the preliminary Official Statements "final"
4 pursuant to Rule 15c2-12 under the Securities Exchange Act of
5 1934 (the "Rule"). The execution of the final Official
6 Statements, which shall include such changes and additions
7 thereto deemed advisable by the Authorized Officers, and such
8 information permitted to be excluded from the preliminary
9 Official Statements pursuant to the Rule, is hereby approved for
10 delivery to the Underwriters, and the Authorized Officers, each
11 acting alone, are authorized and directed to execute and deliver
12 the final Official Statements for and on behalf of the Successor
13 Agency, and to deliver to the Underwriters a certificate with
14 respect to the information set forth therein and to deliver to
15 the Underwriters Continuing Disclosure Certificates
16 substantially in the forms appended to the final Official
17 Statements.
18

19 3. Official Actions. The Authorized Officers and any and
20 all other officers of the Successor Agency are hereby authorized
21 and directed, for and in the name and on behalf of the Successor
22 Agency, to do any and all things and take any and all actions,
23 which they, or any of them, may deem necessary or advisable in
24 connection with the issuance, sale and delivery of the Refunding
25 Bonds, including the execution and delivery of all of the
26 documents related thereto and necessary therefor. Whenever in
27 this Resolution any officer of the Successor Agency is directed
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2 to execute or countersign any document or take any action, such
3 execution, countersigning or action may be taken on behalf of
4 such officer by any person designated by such officer to act on
5 his or her behalf in the case such officer is absent or
6 unavailable.
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8 4. Effective Date. This Resolution shall take effect from
9 and after the date of approval and adoption thereof.
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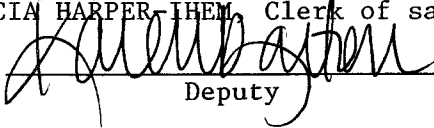
1 The foregoing resolution was passed and adopted by the
2 Successor Agency to the Redevelopment Agency for the County of
3 Riverside at a regular meeting held on the 18th day of August,
4 2015, by the following vote:

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ROLL CALL:

Ayes: Jeffries, Tavaglione, Washington and Benoit
Nays: None
Absent: Ashley

The foregoing is certified to be a true copy of a resolution duly adopted by said Board of Supervisors on the date therein set forth.

KECIA HARPER-IHEM, Clerk of said Board
By 
Deputy

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.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2015

**NEW ISSUE
BOOK ENTRY ONLY**

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

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.

\$ _____ *

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.

\$ _____*

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[†]: _____)

<u>Maturity</u> Date (October 1)	<u>Principal</u> Amount	<u>Interest</u> Rate	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
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* Preliminary, subject to change.

† 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.

**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

SPECIAL SERVICES

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Disclosure Counsel

Best Best & Krieger LLP
Riverside, California

Financial Advisor

C. M. de Crinis & Co. Inc.
Glendale, California

Fiscal Consultant

Urban Analytics, LLC
San Francisco, California

Verification Agent

Barthe & Wahrman PA CPA's
Minneapolis, Minnesota

TABLE OF CONTENTS

<p>INTRODUCTION 1</p> <p> General 1</p> <p> Purpose 1</p> <p> The County 1</p> <p> The Authority 1</p> <p> The Successor Agency 2</p> <p> The Project Areas 2</p> <p> Authority for Issuance of the Bonds and the Agency Bonds 2</p> <p> Terms of the Bonds 3</p> <p> Security for the Bonds and the Agency Bonds 4</p> <p> Municipal Bond Insurance 6</p> <p> Professionals Involved in the Offering 6</p> <p> Continuing Disclosure 6</p> <p> Reference to Underlying Documents 6</p> <p>PLAN OF FINANCE 7</p> <p>ESTIMATED SOURCES AND USES OF FUNDS 8</p> <p>ANNUAL DEBT SERVICE REQUIREMENTS OF THE BONDS 9</p> <p>THE BONDS 11</p> <p> General 11</p> <p> Redemption of the Bonds 11</p> <p> Notice of Redemption; Rescission 12</p> <p> Effect of Redemption 13</p> <p>SECURITY FOR THE BONDS AND THE AGENCY BONDS 14</p> <p> Special Obligations 14</p> <p> Tax Increment Financing Generally 14</p> <p> Low and Moderate Income Housing Set-Aside 15</p> <p> Assembly Bill 1290 15</p> <p> Redevelopment Property Tax Trust Fund 16</p> <p> Allocation of Taxes Subsequent to the Dissolution Act 16</p> <p> Recognized Obligation Payment Schedule 16</p> <p> Pledge of Revenues 20</p> <p> Pledge of Tax Revenues 22</p> <p> Funds and Accounts 24</p> <p> Events of Default 29</p> <p>SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY 31</p> <p> The Agency 31</p> <p> Oversight Board 31</p> <p> Department of Finance Finding of Completion 32</p> <p> State Controller Asset Transfer Review 32</p> <p> Pass-Through Agreements 32</p> <p> Statutory Tax Sharing Payments 33</p> <p> Property Taxes and Inflation Rates 33</p> <p> Supplemental Assessment Revenues 34</p> <p> Property Taxes; Teeter Plan 35</p> <p> Financial Statements 35</p> <p> Allocation of Former Low and Moderate Income Housing Set-Aside 35</p> <p> Plan Limitations 35</p> <p> Other Project Areas 36</p> <p>REDEVELOPMENT PROJECT AREA NO. 1 39</p> <p> General 39</p> <p> Largest Taxpayers in the Project Area No. 1 40</p> <p> Project Area No. 1 Indebtedness 41</p> <p> Assessed Valuation 42</p> <p> Proposition 8 Assessment Reductions And Restorations 43</p> <p> Assessed Valuation Appeals 43</p> <p> Property Value by Land Use 45</p> <p> Plan Limitations 46</p> <p> Project Area No. 1 Estimated Revenues and Bond Retirement 48</p> <p>DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA 51</p> <p> General 51</p> <p> Largest Taxpayers in the Project Areas 53</p> <p> Successor Agency Indebtedness 54</p> <p> Assessed Valuation 55</p> <p> Proposition 8 Assessment Reductions And Restorations 56</p> <p> Assessed Valuation Appeals 56</p> <p> Property Value by Land Use 59</p> <p> Plan Limitations 59</p> <p> Desert Communities Redevelopment Project Area Estimated Revenues And Bond Retirement 61</p> <p>INTERSTATE 215 CORRIDOR REDEVELOPMENT PROJECT AREA 64</p> <p> General 64</p>	<p> Largest Taxpayers in the Project Areas 65</p> <p> Owner Participation Agreements 67</p> <p> Successor Agency Indebtedness 67</p> <p> Assessed Valuation 68</p> <p> Proposition 8 Assessment Reductions And Restorations 68</p> <p> Assessed Valuation Appeals 69</p> <p> Property Value by Land Use 72</p> <p> Plan Limitations 73</p> <p> Interstate 215 Corridor Redevelopment Project Area Estimated Revenues And Bond Retirement 74</p> <p>BOND OWNERS' RISKS 78</p> <p> Limited Special Obligations 78</p> <p> Recognized Obligation Payment Schedule 78</p> <p> Challenges to Dissolution Act 79</p> <p> Mandatory Redemption on Acceleration of Agency Bonds on Default 80</p> <p> Reduction in Taxable Value 80</p> <p> Bond Insurance Risk Factors 81</p> <p> Risks of Real Estate Secured Investments Generally 82</p> <p> Reduction in Inflationary Rate and Changes in Legislation 82</p> <p> Change in Law 82</p> <p> Development and Economic Risks 82</p> <p> Bankruptcy of Landowners 82</p> <p> Seismic Factors and Flooding 83</p> <p> Levy and Collection of Taxes 83</p> <p> Estimated Revenues 83</p> <p> Hazardous Substances 83</p> <p> Direct and Overlapping Indebtedness 83</p> <p> Future Legislation and Initiatives 83</p> <p> Assessment Appeals 84</p> <p> Economic Risks 84</p> <p> Investment Risk 84</p> <p> Secondary Market 84</p> <p> Bankruptcy 84</p> <p> Federal Tax-Exempt Status of the Bonds 85</p> <p> IRS Audit of Tax-Exempt Issues 85</p> <p>LIMITATIONS ON TAX REVENUES 86</p> <p> Property Tax Limitations - Article XIII A 86</p> <p> Implementing Legislation 87</p> <p> Redevelopment Plan Limits 87</p> <p> Unitary Property 87</p> <p> Tax Increment Limitation; Senate Bill 211 88</p> <p> Property Taxes; Teeter Plan 89</p> <p> Tax Collection Fees 89</p> <p> Future Initiatives 89</p> <p>OTHER INFORMATION 90</p> <p> Continuing Disclosure 90</p> <p> Litigation 91</p> <p> Tax Matters 91</p> <p> Legal Opinion 92</p> <p> Ratings 92</p> <p> Underwriting 92</p> <p> Miscellaneous 93</p> <p>APPENDIX A - Report of Fiscal Consultant A-1</p> <p>APPENDIX B - General Information Concerning the County of Riverside B-1</p> <p>APPENDIX C - Successor Agency Audited Financial Statements for Fiscal Year Ended June 30, 2014 C-1</p> <p>APPENDIX D - Summary of Certain Provisions of the Legal Documents D-1</p> <p>APPENDIX E - DTC and the Book-Entry System E-1</p> <p>APPENDIX F - Forms of Opinions of Bond Counsel F-1</p> <p>APPENDIX G - Form of Continuing Disclosure Agreement G-1</p> <p>APPENDIX H - State Department of Finance Determination Letter Approving the Bonds H-1</p>
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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.

* 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⁽¹⁾
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:

⁽¹⁾ 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.

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

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)

<u>Fiscal Year</u> ⁽¹⁾	<u>2015A (PA-1)</u> <u>Debt Service*</u>	<u>2015A (I-215)</u> <u>Debt Service*</u>	<u>2015A (DC)</u> <u>Debt Service*</u>	<u>Total 2015A</u> <u>Debt Service*</u>	<u>2015A Debt</u> <u>Service</u> <u>Coverage*</u>
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 Parity Debt</u>	<u>Cash Deposit</u>	<u>Credit Instrument</u>	<u>Stated 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 ⁽¹⁾
Total	<u>\$1,684,237.46</u>		<u>\$1,341,275</u>	
Desert Communities Redevelopment Project Area				
2005 Desert Community Bonds	-	Surety Policy	\$1,233,750	XL Capital ⁽¹⁾
2006 Desert Community Bonds	-	Surety Policy	4,453,306	MBIA ⁽²⁾
2010 Desert Community Bonds	<u>2,363,225</u>	-	-	
Total	<u>\$ 2,363,225</u>	-	<u>\$5,687,056</u>	
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 ⁽¹⁾
2010 Interstate 215 Corridor Bonds	<u>\$ 4,984,934</u>		-	
Total	<u>\$ 6,255,405</u>		<u>\$1,811,850</u>	

⁽¹⁾ In 2009, MBIA ceded its public finance business to National Public Financial Guaranty 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 IX 26. As a result of AB IX 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 IX 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 to 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

<u>Fiscal Year</u>	<u>Inflation Adj. Factor</u>
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 ⁽²⁾	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 ⁽¹⁾	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

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

⁽²⁾ 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)

Property Owner	Secured and		Unsecured	Total	Pet of Total	Sub-Area	Principal Land Use
	Utility						
CASTLE & COOKE ⁽¹⁾	\$ 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	-	9,834,466	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%		

⁽¹⁾ 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)

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

⁽¹⁾ Bonds to be refunded.

⁽²⁾ 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)

Roll	2011-12	2012-13	2013-14	2014-15	2015-16
Secured					
- 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
Unsecured					
- 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
Utility					
- 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⁽¹⁾</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

⁽¹⁾ 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⁽¹⁾</u>	<u>County Valuation</u>	<u>Applicant Opinion of Value</u>	<u>Valuation After Appeal</u>	<u>Retention Rate⁽²⁾</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⁽¹⁾</u>	<u>Pct of AV</u>	<u>Number of Parcels</u>	<u>Pct of Parcels</u>	<u>Acres⁽²⁾</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%
Total	\$1,310,861,885	100.0%	6,971	100.0%	4,651	100.0%

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

⁽²⁾ 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

Redevelopment Project Area No. 1	Date of Adoption	Ordinance Number	Termination of Plan Activities ⁽¹⁾	Last Date to Repay Debt	Tax Increment Limit ⁽³⁾	Acreage	Sub-Area Tax Increment	
							As Percent of Project Area Total	Volatility Ratio ⁽²⁾
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

⁽¹⁾ 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.

⁽²⁾ 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%.

⁽³⁾ 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⁽¹⁾
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	-	-	-	-	-

⁽¹⁾ 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> ⁽¹⁾	<u>Net Tax Increment</u> ⁽²⁾	<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

(1) See Table 10 for details.

(2) 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)

Property Owner	Secured and Utility ⁽¹⁾	Unsecured	Total	Pct of Total	Sub-Area	Principal Land Use
CORAL OPTION I	\$ 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
WOODSPUR FARMING	11,481,053	-	11,481,053	0.44%	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%		

⁽¹⁾ 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).

⁽²⁾ 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)

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

⁽¹⁾ To be refunded.

⁽²⁾ Shown in audit as aggregate or “Loans Payable.”

⁽³⁾ 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)

<u>Roll</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Secured ⁽¹⁾					
- 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.

⁽¹⁾ 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⁽¹⁾</u>	<u>Status</u>	<u>County Valuation</u>	<u>Applicant Opinion of Value</u>	<u>Valuation 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

⁽¹⁾ 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> ⁽¹⁾	<u>Number of Appeals</u>	<u>County Valuation</u> ⁽²⁾	<u>Applicant Opinion of Value</u>	<u>Valuation After Appeal</u>	<u>Retention Rate</u> ⁽³⁾
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

⁽¹⁾ Data is current as of March 26, 2015.

⁽²⁾ 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).

⁽³⁾ 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⁽¹⁾</u>	<u>Pct of AV</u>	<u>Number of Parcels</u>	<u>Pct of Parcels</u>	<u>Acres⁽²⁾</u>	<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%
Total	\$2,562,305,522	100.0%	8,900	100.0%	27,590	100.0%

⁽¹⁾ 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).

⁽²⁾ 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⁽¹⁾

Desert Communities Project Area	Date of Adoption	Ordin. Number	Termination of Plan Activities	Last Date to Repay Debt ⁽³⁾	Tax Increment Limit (Millions) ⁽⁴⁾	Bonded Debt Limit (Millions)	Acreage	Sub-Area Tax Increment As Percent of Project Area		Volatility Ratio ⁽⁵⁾
								Total	Total	
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) ⁽²⁾	01/13/2009	886	01/13/2039	01/13/2054	900	73.0	2,078	(NA)	(NA)	

⁽¹⁾ Sub-Area names have been shortened for presentation purposes.

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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.

⁽⁵⁾ 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⁽¹⁾
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

⁽¹⁾ 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> ⁽¹⁾	<u>Net Tax Increment</u> ⁽²⁾	<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

⁽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.

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 Assessees."

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)

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

⁽¹⁾ Table does not exclude any sub-areas for FY2015-16.

⁽²⁾ 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)**

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

(1) To be refunded.
(2) Expires 2020.
(3) Expires 2015.
(4) Shown in audited financial statements as “Loans Payable” in aggregate.
(5) 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 ⁽¹⁾					
-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 ⁽²⁾	\$ 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 (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⁽¹⁾</u>	<u>Status</u>	<u>County Valuation⁽²⁾</u>	<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

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

⁽²⁾ 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⁽¹⁾</u>	<u>County Valuation⁽²⁾</u>	<u>Applicant Opinion of Value</u>	<u>Valuation After Appeal</u>	<u>Retention Rate⁽³⁾</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

⁽¹⁾ Data is current as of March 26, 2015.

⁽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 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⁽¹⁾</u>	<u>Pct of AV</u>	<u>Number of Parcels</u>	<u>Pct of Parcels</u>	<u>Acres⁽²⁾</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%
Total	\$2,690,805,080	100.0%	17,668	100.0%	15,830	100.0%

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

⁽²⁾ 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**

Project Area I-215⁽⁵⁾	Date of Adoption	Ordinance Number	Termination of Plan Activities	Last Date to Repay Debt	Tax Increment Limit⁽⁶⁾	Acreage	Sub-Area Tax Increment As Percent of Project Area Total	Volatility Ratio⁽⁷⁾
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) ⁽¹⁾	06/25/2002	821	06/25/2033	06/25/2048	--	3,200	8%	0.47
5-2006 (Lakeview/Nuevo) ⁽²⁾	05/16/2006	854	05/16/2036	05/16/2051	--	2,821	2%	0.87
5-2006 (Sun Valley/Quail) ⁽³⁾	05/02/2006	855	05/02/2051	05/02/2051	--	3,289	5%	0.81
Highway 74 ⁽⁴⁾	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 deduced 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⁽¹⁾
Fiscal Years 2015-16 through 2046-47
(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>Other Senior Obligations⁽²⁾</u>	<u>Net Tax Increment</u>
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

⁽¹⁾ See prior page for assumptions to calculate projections.

⁽²⁾ 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)

<u>Fiscal Year⁽¹⁾</u>	<u>Net Tax Increment⁽²⁾</u>	<u>Outstanding Senior Bonds Debt Service</u>	<u>Senior Bonds Coverage*</u>	<u>Series 2015 Bonds Debt Service*</u>	<u>Subordinate Debt Service</u>	<u>Total Debt Service*</u>	<u>Total Debt Service Coverage*</u>
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