

001271



**CITY OF SAN DIEGO
MAYOR JERRY SANDERS**

MEMORANDUM

DATE: April 1, 2008

TO: Council President Peters & City Council

FROM:  Beryl Bailey Rayford, Equal Opportunity Contracting Program
Manager

SUBJECT: Center City Redevelopment Tax Allocation Housing Bonds, Series 2008A

This agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517)

CC: Fischle-Faulk, Debra

DATE: April 9, 2008

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of April 15, 2008

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: Centre City Redevelopment Project Tax Allocation Housing Bonds,
Series 2008A – Centre City Redevelopment Project

COUNCIL DISTRICTS: Districts 2 and 8

STAFF CONTACT: Frank Alessi, Vice President and Chief Financial Officer, 619-533-7130

REQUESTED ACTION: That the Redevelopment Agency (“Agency”) approve the issuance of Centre City Redevelopment Project Tax Allocation Housing Bond, Series 2008A (“Housing Bonds”) in an amount not to exceed \$69 million producing net proceeds of approximately \$60 million for low and moderate income housing activities and that the City Council (“Council”) approve the financing of the Centre City Redevelopment Project by the Agency.

STAFF RECOMMENDATION: That the Agency approve the issuance of Housing Bonds in an amount not to exceed \$69 million producing net proceeds of approximately \$60 million for low and moderate income housing activities and that the Council approve the financing of Housing Bonds by the Agency.

SUMMARY: The Fiscal Year 2008 (“FY08”) Budget includes a provision of \$50.4 million net proceeds from a Tax Allocation Housing Bond. The sale of Housing Bonds will provide the necessary funds to implement the FY08 Budget by leveraging the 20% Low and Moderate Income Housing Funds tax increment.

FISCAL CONSIDERATIONS: The sale of Housing Bonds will utilize the 20% low and moderate tax increment revenue for debt service of approximately \$8.0 million annually over a 12-year period.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION: On January 30, 2008, the Corporation voted to approve this item as presented. On March 5 and on March 13, 2008, the Disclosure Practices Working Group discussed and approved the Preliminary Official Statement relating to the proposed Housing Bonds.

CENTRE CITY ADVISORY COMMITTEE RECOMMENDATION: None.

Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of April 15, 2008
Page -2-

OTHER RECOMMENDATIONS: None.

BACKGROUND: The Agency is authorized to issue bonds for the purpose of financing the costs of a redevelopment project pursuant to Part I commencing with Section 33000 of Division 24 of the California Health and Safety Code of the State of California.

The proposed sale of Housing Bonds will have a par value of approximately \$69 million. After providing for a reserve fund, cost of issuance and potential insurance premium, proceeds in the approximate amount of \$60 million will be deposited to the Agency's Low and Moderate Income Housing Fund at the time of closing. The process includes the approval of various documents including a Preliminary Official Statement, Trust Indenture, Continuing Disclosure Agreement, and a Purchase Contract more fully described below.

The schedule includes the approval by the Disclosure Practices Working Group, Agency, City Council and Public Facilities Financing Authority prior to being marketed on Wall Street in late April 2008 with a closing anticipated in May 2008.

The proceeds by the sale of the bonds will be used for various low and moderate income housing projects including, but not limited to, the Ninth and Broadway development, land acquisition for a permanent homeless shelter, supportive housing, and other projects that may be feasible.

DISCUSSION: In October 2007, staff reported to the Corporation Budget/Finance and Administration Committee ("Committee") a bond issuance producing approximately \$50.4 million net bond proceeds. At the Committee's request, staff investigated the issuance of a larger Housing Bond transaction that would produce additional net proceeds to the Agency. By reducing the coverage ratio to 1.57, bond proceeds in the amount of \$60 million rather than \$50.4 million can be attained.

The proposed structure anticipates the Agency issuing \$69 million Housing Bonds, producing net proceeds in the amount of approximately \$60.8 million. Interest rates may range from 5.7% to 6.6% depending on whether the Agency attains municipal bond insurance, which would provide an AAA rating, or the bonds are sold with an underlying rating. Annual debt service is expected to range from approximately \$7.95 million to \$8.5 million. The resolution authorizing the bonds provides authority to sell bonds with up to 7.25% interest rate. Although unlikely, the debt service would be \$8.75 million if sold at that level of interest rate.

Staff has reviewed the "with" and "without" insurance scenarios with the financing team along with several other issues. In addition to bond insurance, other factors may impact this bond issuance as bond documents are developed. Factors include the volatility in the credit markets, the availability of the Agency's audited financial statements and the re-instatement of Standard & Poors rating. It is the hope of staff and the financing team that the current volatility in the credit markets will subside by early April when the Agency sells the Housing Bonds.

001275

Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of April 15, 2008
Page -3-

In analyzing the structure for the bonds, various long-term scenarios were reviewed regarding future projections of tax increment and the 20% set-aside for the Low and Moderate Income Housing Fund. The results produced a conservative 12-year amortization period for the bond structure to protect the bondholders and satisfy the rating services when analyzing this transaction.

The following tables reflects a preliminary three-year cash flow of the Centre City Redevelopment Project using the housing tax increment revenue excluding growth from new development and deducting existing and the proposed debt service, illustrating the Agency's ability to pay debt service on the proposed bond issuance.

	(In Millions)		
	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
<u>HOUSING TAX INCREMENT</u> ¹⁾	\$21.5	\$21.3	\$21.7
Less:			
Existing Debt Service	\$ 5.6	\$ 5.6	\$ 5.6
Proposed Debt Service Series 2008A	<u>\$ 1.3</u>	<u>\$ 8.0</u>	<u>\$ 8.0</u>
Remaining Balance after Existing and Proposed Debt Service	<u>\$ 14.6</u>	<u>\$ 7.7</u>	<u>\$ 8.1</u>

1) Per Katz Hollis Report dated March 2008. Based on current assessed values and a 2% escalation.

The proposed bond sale requires approval of various documents by CCDC, the Agency and City Council. The actions required include the adoption of resolutions approving the issuance of Housing Bonds and approval of the following preliminary documents:

1. Preliminary Official Statement – A detailed offering circular informing potential bonds purchasers of all relevant information as to the nature of the obligations, the project to be financed, and the security of the bonds.
2. Trust Indenture – Trust Indentures between the Agency and trustee (Deutsche Bank National Trust Company) providing for the terms and conditions of the Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2008A.

Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of April 15, 2008
Page -4-

- 3. Continuing Disclosure Agreement – An Agreement by the Agency for the benefit of the bondholders to disclose certain financial and operating data each year pursuant to Rule 15c2-12(b)(5) of the Securities and Exchange Act for each bond issue (Appendix F of the Preliminary Official Statement).
- 4. Purchase Contract – Bond Purchase Agreements between the Agency, the Public Facilities Financing Authority, and E. J. De La Rosa & Co., Inc., and RBC Capital Markets (“Underwriters”) setting forth the terms and conditions in which the bonds will be sold to the Underwriters for each bond issue.

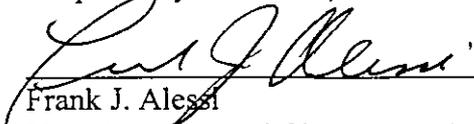
Presently, interest rates are favorable and it recommended that the proposed tax allocation bonds be issued.

The City Council, in a companion item, is required to adopt a resolution authorizing the Agency to issue bonds. The current schedule anticipates this item to be heard by Public Facilities Financing Authority in late April, a sale of bonds in May, and a closing in late May.

ENVIRONMENTAL IMPACT: This activity is not a project, and therefore not subject to CEQA Guidelines Section 15060(c)(3).

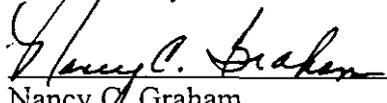
CONCLUSION: The sale of Housing Bonds will provide the funds anticipated in the FY08 Budget facilitating the production of affordable housing. The cost of the bond will be determined on a variety of factors, including the situation in the credit markets at the time of sale, the availability of municipal insurance, and the rating on the bonds.

Respectfully submitted,



 Frank J. Alessi
 Vice President and Chief Financial Officer

Concurred by:



 Nancy Q. Graham
 President

- Attachments:
- A - Preliminary Official Statement (“POS”)
 - B - Trust Indenture (Appendix C of POS)
 - C - Continuing Disclosure Agreements (Appendix F of POS)
 - D - Purchase Contract

NEW ISSUE – BOOK ENTRY ONLY

Moody's (Insured) – “—”
 S&P (Insured) – “—”
 Fitch (Insured) – “—”

RATINGS:
 Moody's (Underlying) – “—”
 Fitch (Underlying) – “—”
 (See “RATINGS” herein)

In the opinion of Nossaman, Guthner, Knox & Elliott, LLP, Irvine, California and Adorno, Yoss, Alvarado & Smith, Santa Ana, California, Co-Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Series 2008A Housing Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Co-Bond Counsel, interest on the Series 2008A Housing Bonds under existing law is exempt from State of California personal income taxes. Co-Bond Counsel express no opinion regarding other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008A Housing Bonds. No attempt has been made or will be made to comply with certain requirements relating to the exclusion from gross income for federal income tax purposes of interest on the Series 2008A Housing Bonds, and interest on the Series 2008A Housing Bonds will be subject to all applicable federal taxation. See “Tax Matters” herein.

\$69,000,000*
REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO
CENTRE CITY REDEVELOPMENT PROJECT
TAX ALLOCATION HOUSING BONDS
SERIES 2008A (TAXABLE)

Dated: Date of Delivery

Due: September 1, as shown on the inside cover page

The \$69,000,000* Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2008A (Taxable) (the “Series 2008A Housing Bonds”) will be issued to (i) finance certain improvements relating to, or increasing the supply of, low and moderate income housing in the Centre City Redevelopment Project and such other areas as authorized by the Redevelopment Law (as defined herein), (ii) provide, in whole or in part, for a reserve fund for the Series 2008A Housing Bonds, and (iii) provide for the costs of issuing the Series 2008A Housing Bonds. See “Estimated Sources and Uses of Funds” herein.

The Series 2008A Housing Bonds are being issued pursuant to a Trust Indenture, dated as of April 1, 2008, (the “Trust Indenture”) by and between the Redevelopment Agency of the City of San Diego (the “Agency”) and Deutsche Bank National Trust Company, as trustee (the “Trustee”), 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 Series 2008A Housing Bonds. Individual purchases of the Series 2008A Housing Bonds may be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers of interests in the Series 2008A Housing Bonds will not receive certificates from the Agency or the Trustee representing their interest in the Series 2008A Housing Bonds purchased. Interest on the Series 2008A Housing Bonds will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2008. Payments of principal, premium, if any, and interest on the Series 2008A Housing Bonds will be payable by the Trustee, to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2008A Housing Bonds, as more fully described herein.

The Series 2008A Housing Bonds are subject to optional and mandatory redemption as described herein. See “The Series 2008A Housing Bonds – Redemption” herein.

[The scheduled payment of principal of and interest on the Series 2008A Housing Bonds when due will be insured by a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2008A Housing Bonds by [Insurer]. See “Bond Insurance” herein and Appendix G – “Form of Financial Guaranty Insurance Policy” attached hereto.]

[INSURER LOGO]

The Series 2008A Housing Bonds are special obligations of the Agency, and the Series 2008A Housing Bonds and the interest thereon are payable from, and are secured equally and on a parity with the Parity Bonds (as defined herein), by a charge and lien on the Pledged Housing Tax Revenues (as defined herein) derived by the Agency from the Redevelopment Project (as defined in the Trust Indenture), and other amounts pledged under the Trust Indenture. The Series 2008A Housing Bonds are not a debt of The City of San Diego (the “City”), the State of California (the “State”), or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable thereon. The Series 2008A Housing Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. In no event shall the Series 2008A Housing Bonds be payable out of any funds or properties

* Preliminary, subject to change.

001278

other than those of the Agency as set forth in the Trust Indenture. No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal of or interest on the Series 2008A Housing Bonds.

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

The Series 2008A Housing Bonds are offered, when, as and if issued by the Agency, subject to approval as to legality by Nossaman, Guthner, Knox & Elliott, LLP, Irvine, California and Adorno, Yoss, Alvarado & Smith, Santa Ana, California, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Agency by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel to the Agency, and by the City Attorney, Agency General Counsel. It is expected that the Series 2008A Housing Bonds will be available for delivery through the facilities of DTC in New York, New York on or about March __, 2008.



RBC Capital Markets

_____, 2008

001279

\$69,000,000*
REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO
CENTRE CITY REDEVELOPMENT PROJECT
TAX ALLOCATION HOUSING BONDS
SERIES 2008A (TAXABLE)

MATURITY SCHEDULE

\$ _____ Serial Bonds

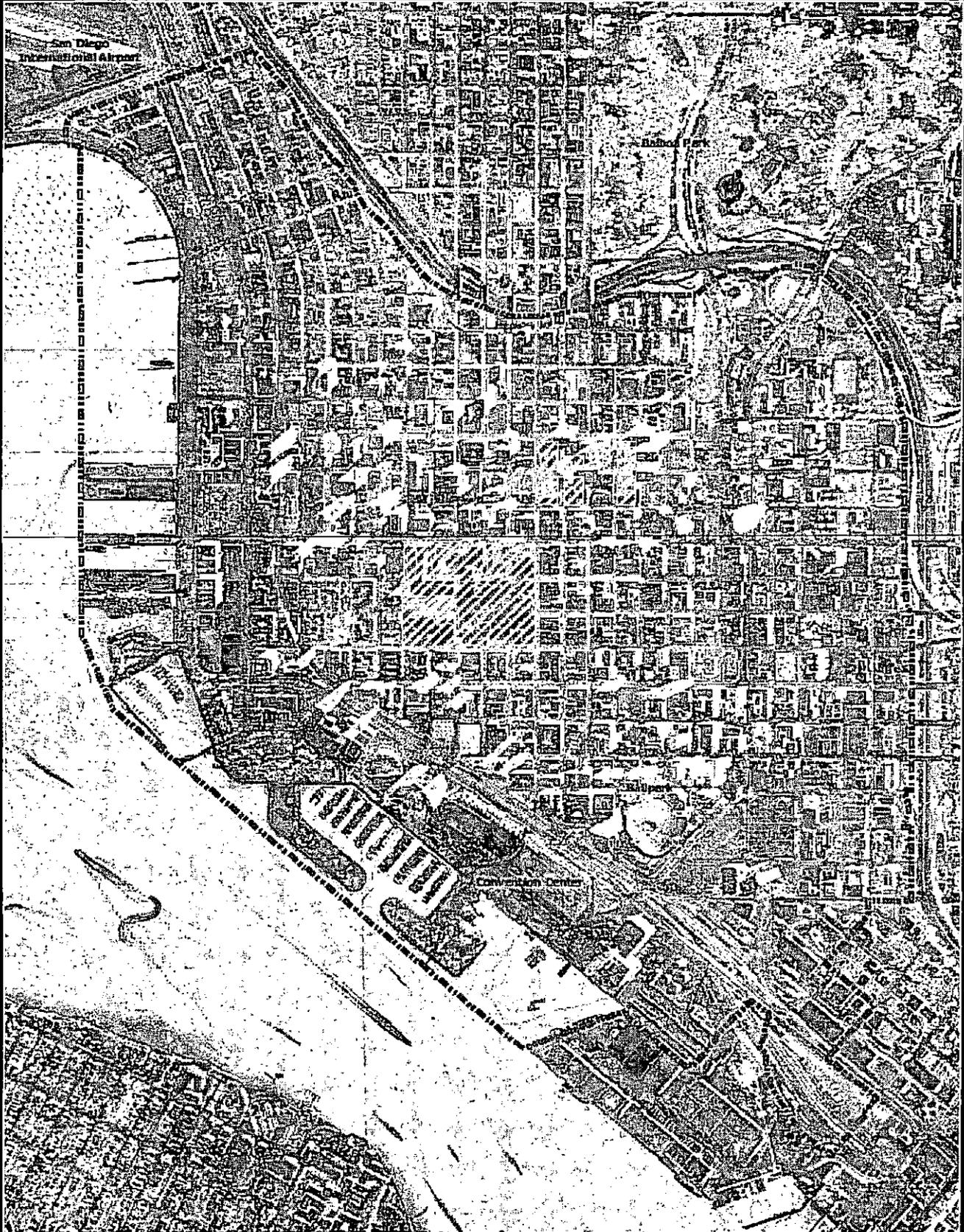
Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP Number [†]	Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP Number [†]
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\$ _____ - _____ % Term Bonds due September 1, _____ - Priced to Yield - _____ % CUSIP No.[†] _____

* Preliminary, subject to change.

[†] CUSIP Copyright 2008, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP service bureau, a Division of The McGraw-Hill Companies, Inc. The Agency and the Underwriters assume no responsibility for the accuracy of such CUSIP data.

Downtown San Diego



Excluded from Centre City Redevelopment Project Area

Centre City Boundary Redevelopment Boundary



Created by Centre City Development Corporation (CCDC)
GIS, March, 2006.

001281

No dealer, broker, salesperson or other person has been authorized by the Agency or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2008A Housing Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not a contract with the purchasers of the Series 2008A Housing Bonds. Statements contained in this Official Statement which involve estimates, forecast or matters of opinion, whether or not expressly so described herein, and intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, statute and constitutional provision.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008A HOUSING BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, CALIFORNIA

Councilmember Scott Peters, Chair, District 1 Councilmember Brian Maienschein, District 5
Councilmember Kevin Faulconer, District 2 Councilmember Donna Frye, District 6
Councilmember Toni Atkins, District 3 Councilmember Jim Madaffer, District 7
Councilmember Tony Young, District 4 Councilmember Ben Hueso, District 8

Mayor Jerry Sanders, *Executive Director*
William Anderson, *Assistant Executive Director*
Michael Aguirre, *General Counsel*

CENTRE CITY DEVELOPMENT CORPORATION

Fredric Maas, *Chair*

Robert A. McNeely, *Vice Chair* Jennifer LeSar, *Director*
Kim John Kilkenny, *Treasurer* Janice Brown, *Director*
William Shaw, *Secretary* Teddy Cruz, *Director*

Nancy Graham, *President and Chief Operating Officer*
Frank J. Alessi, *Vice President and Chief Financial Officer*
Barbara Kaiser, *Vice President – Real Estate Operations*
Derek Danziger, *Vice President – Marketing and Communications*
Philip J. Bona, *AIA/APA, Assistant Vice President – Architecture and Planning*
David N. Allsbrook, *Assistant Vice President – Contracting and Public Works*
Jeff Graham, *Assistant Vice President – Redevelopment*

SPECIAL SERVICES

Nossaman, Guthner, Knox & Elliott, LLP
Co-Bond Counsel

Adorno, Yoss, Alvarado & Smith
Co-Bond Counsel

Hawkins Delafield & Wood LLP
Disclosure Counsel

Kane, Ballmer & Berkman
Special Counsel

Deutsche Bank National Trust Company
Trustee

Katz Hollis
Fiscal Consultant

Sutter Securities Incorporated
Financial Advisor

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General	1
The Series 2008A Housing Bonds	1
Book-Entry System	1
Security for the Series 2008A Housing Bonds	2
Limited Obligation	2
Bond Insurance	3
The Agency	3
Centre City Project	3
The Authority	3
Continuing Disclosure	4
Certain Investigations Regarding the City	4
Forward-Looking Statements	5
Additional Information	6
THE AGENCY	6
CENTRE CITY DEVELOPMENT CORPORATION	6
THE SERIES 2008A HOUSING BONDS	8
General	8
Redemption	9
Debt Service Schedule	11
ESTIMATED SOURCES AND USES OF FUNDS	12
SECURITY FOR THE SERIES 2008A HOUSING BONDS	12
General	12
Pledge and Allocation of Tax Revenues for the Series 2008A Housing Bonds	13
Reserve Account	14
No Senior Bonds	15
Additional Parity Bonds	15
Limited Obligation	16
BOND INSURANCE	16
TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES	16
General	16
Article XIII A of State Constitution	17
Legislation Implementing Article XIII A	17
Article XIII B of State Constitution	17
Unitary Property	17
Property Tax Collection Procedures	18
Plan Limitations	19
Filing of Agency Indebtedness	20
Property Tax Administrative Charges	20
Pass-Through Agreements	20
Statutory Pass-Through Payments	21
Section 33676 Resolutions	21
CENTRE CITY PROJECT	22
General	22
Historical and Current Development	22

The Sub Areas and Districts in the Centre City Project25

The Horton Plaza Project26

Outstanding Debt.....27

Ten Largest Assesseees.....28

Centre City Project Taxable Value.....30

Assessment Appeals.....30

County Allocation Adjustments and Percentage Collections.....30

Projected Housing Tax Revenues.....31

Estimated Tax Revenues, Debt Service and Coverage.....33

Investments34

RISK FACTORS35

 Tax Increment Estimates.....35

 Reduction in Assessed Value.....35

 Reduction in Inflationary Rate.....36

 Real Estate and General Economic Risks.....36

 Assessment Appeals.....37

 Investment of Housing Tax Revenues.....37

 Certain Bankruptcy Risks.....38

 State Budgets.....38

 Risk of Earthquake or Other Disaster.....41

 Hazardous Substances.....41

 Property Tax Payment Delinquencies.....41

 Bond Insurer Default.....42

 Change in Law.....42

CERTAIN LEGAL MATTERS43

TAX MATTERS.....43

LITIGATION43

RATINGS.....43

UNDERWRITING.....44

CONTINUING DISCLOSURE.....44

PROFESSIONAL ADVISORS.....45

MISCELLANEOUS45

APPENDIX A – REPORT OF THE FISCAL CONSULTANT.....A-1

APPENDIX B – CERTAIN ECONOMIC AND DEMOGRAPHIC DATA CONCERNING THE
CITY OF SAN DIEGO AND THE COUNTY OF SAN DIEGO.....B-1

APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.....C-1

APPENDIX D – BOOK-ENTRY SYSTEM.....D-1

APPENDIX E – FORMS OF OPINIONS OF CO-BOND COUNSEL.....E-1

APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE.....F-1

APPENDIX G – FORM OF FINANCIAL GUARANTY INSURANCE POLICY.....G-1

\$69,000,000*
REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO
CENTRE CITY REDEVELOPMENT PROJECT
TAX ALLOCATION HOUSING BONDS
SERIES 2008A (TAXABLE)

INTRODUCTION

The following introduction presents a brief description of certain information in connection with the issuance of the Series 2008A Housing Bonds and is qualified in its entirety by reference to the entire Official Statement and the documents summarized or described herein. References to, and summaries of, provisions of the Constitution and the laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. Capitalized terms used in this Official Statement and not defined herein shall have the meanings ascribed to such terms in the Trust Indenture. See Appendix C – “Summary of Principal Legal Documents” attached hereto.

General

This Official Statement, including the cover page and appendices hereto, is provided to furnish information regarding the \$69,000,000* Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2008A (Taxable) (the “Series 2008A Housing Bonds”). The Series 2008A Housing Bonds are to be issued by the Redevelopment Agency of the City of San Diego (the “Agency”). The proceeds of the Series 2008A Housing Bonds will be used to (i) finance certain improvements relating to, or increasing the supply of, low and moderate income housing in the Centre City Redevelopment Project (the “Project Area”) and such other areas as authorized by the Redevelopment Law (as defined herein), (ii) provide, in whole or in part, for a reserve fund for the Series 2008A Housing Bonds, and (iii) provide for the costs of issuing the Series 2008A Housing Bonds. See “Estimated Sources and Uses of Funds” herein.

The Series 2008A Housing Bonds

The Series 2008A Housing Bonds are being issued for sale to the Public Facilities Financing Authority of the City of San Diego (the “Authority”) pursuant to the Mark-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the Government Code of the State (the “JPA Law”). The Series 2008A Housing Bonds purchased by the Authority will be resold immediately to the Underwriters. The Series 2008A Housing Bonds are being issued pursuant to the Constitution and the laws of the State of California (the “State”), including the California Community Redevelopment Law Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State (the “Redevelopment Law”) and a Trust Indenture, dated as of April 1, 2008 (the “Trust Indenture”), by and between the Agency and Deutsche Bank National Trust Company, as trustee (the “Trustee”).

Book-Entry System

The Series 2008A Housing Bonds will be delivered in the form of a separate single fully registered bond for each maturity of the Series 2008A Housing Bonds. Upon delivery, the ownership of each such Series 2008A Housing Bond will be registered on the registration books in the name of Cede & Co., as nominee of

* Preliminary, subject to change.

The Depository Trust Company, New York, New York ("DTC"). DTC will act as the depository of the Series 2008A Housing Bonds and all payments due on the Series 2008A Housing Bonds will be made to DTC or its nominee, which is obligated in turn to remit such payment to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2008A Housing Bonds, as more fully described herein. See Appendix D – "Book-Entry System" attached hereto.

Security for the Series 2008A Housing Bonds

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

The Series 2008A Housing Bonds are special obligations of the Agency, and the Series 2008A Housing Bonds and the interest thereon are payable from, and are secured equally and on a parity with the Parity Bonds (as defined herein), by a charge and lien on the Pledged Housing Tax Revenues (as defined herein) derived by the Agency from the Redevelopment Project (as defined in the Trust Indenture) and other amounts pledged under the Trust Indenture. The Series 2008A Housing Bonds are payable from and secured by Pledged Housing Tax Revenues on parity with the Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2004C (Taxable) (the "Series 2004C Housing Bonds") currently outstanding in the principal amount of \$25,790,000, the Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2004D (Taxable) (the "Series 2004D Housing Bonds" and, together with the Series 2004C Housing Bonds, the "Series 2004 Housing Bonds") currently outstanding in the principal amount of \$8,275,000 and the Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2006B (Taxable) (the "Series 2006 Housing Bonds" and, together with the Series 2004 Housing Bonds, the "Outstanding Parity Bonds") currently outstanding in the principal amount of \$33,520,000. The Outstanding Parity Bonds and the Series 2008A Housing Bonds constitute the "Housing Bonds" of the Agency issued on behalf of the Centre City Development Corporation (the "CCDC"). The Agency currently has debt obligations, but no Housing Bonds, payable from and secured by Pledged Housing Tax Revenues on a basis subordinate to the payment of the debt service on the Series 2008A Housing Bonds and the Outstanding Parity Bonds. See "Security for the Series 2008A Housing Bonds," "Tax Allocation Financing and Limitations on Tax Revenues," "Centre City Project- Outstanding Debt" and "Centre City Project – Estimated Tax Revenues, Debt Service and Coverage" herein.

To further secure the payment of principal of and interest on the Series 2008A Housing Bonds, the Agency is required, upon delivery of the Series 2008A Housing Bonds, to fund a Reserve Account under the Trust Indenture in an amount equal to the Reserve Requirement (as defined herein). See "Security for the Series 2008A Housing Bonds – Reserve Account" herein and Appendix C – "Summary of Principal Legal Documents" attached hereto.

Limited Obligation

The Series 2008A Housing Bonds are special obligations of the Agency, and the Series 2008A Housing Bonds and the interest thereon are payable from, and are secured equally and on a parity with the Parity Bonds, by a charge and lien on the Pledged Housing Tax Revenues derived by the Agency from the

Redevelopment Project and other amounts pledged under the Trust Indenture. The Series 2008A Housing Bonds are not a debt of The City of San Diego (the "City"), the State, or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable thereon. The Series 2008A Housing Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. In no event shall the Series 2008A Housing Bonds be payable out of any funds or properties other than those of the Agency as set forth in the Trust Indenture. No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal of or interest on the Series 2008A Housing Bonds.

Bond Insurance

[The scheduled payment of principal of and interest on the Series 2008A Housing Bonds when due will be insured by a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") to be issued concurrently with the delivery of the Series 2008A Housing Bonds by _____ ("the Insurer"). See "Bond Insurance" herein and Appendix G – "Form of Financial Guaranty Insurance Policy" attached hereto.]

The Agency

The Agency was activated by the City Council of the City (the "City Council") on May 6, 1958, pursuant to the Redevelopment Law. On January 23, 1975, the Agency approved an agreement delegating certain administrative tasks related to the implementation of redevelopment in the downtown area of the City to CCDC. The CCDC was organized in 1975 by the City as a non-profit corporation with a seven-member Board of Directors appointed by the Mayor and the City Council. The CCDC has a current operating staff of 48 employees. See "The Agency" herein.

Centre City Project

The Centre City Redevelopment Project (the "Centre City Project") was formally created with the adoption of a redevelopment plan for the Centre City Project (the "Plan") on May 11, 1992, by City Ordinance No. O-17767 which merged the former Marina Redevelopment Project, the former Columbia Redevelopment Project and the former Gaslamp Quarter Redevelopment Project, and added approximately 1,000 acres of additional property in the downtown area of the City (the "Expansion Sub Area") (each such area is sometimes referred to herein as a "Sub Area"). The Plan has been amended several times to extend the time limit on the Plan's effectiveness. See Appendix A – "Report of the Fiscal Consultant" attached hereto. The Centre City Project includes approximately 1,400 acres south and east of Interstate Highway 5 where it passes through downtown San Diego, encompassing areas immediately north and to the east of downtown San Diego and adjacent waterfront areas. The Project contains a diversity of uses, including office, retail, hotel, light industrial, residential, recreational and educational. The Centre City Project, together with the approximately 41.5 acres of the Horton Plaza Redevelopment Project (the "Horton Plaza Project"), which is not part of the Centre City Project, encompasses most of the downtown area of the City. See "Centre City Project" herein and Appendix A – "Report of the Fiscal Consultant" attached hereto.

The Authority

The Authority is a public agency duly organized and existing pursuant to a Joint Exercise of Powers Agreement (the "Agreement") between the City and the Agency. The Agreement was entered into pursuant to the provisions of Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The members of the Board of Commissioners of the Authority are appointed by the Mayor and confirmed by the City Council and the Agency. The Authority was created for the primary purpose of financing certain public capital facilities improvements of the City and the Agency. No assets or property of the Authority, other than amounts pledged under the Trust Indenture, secure the payment of debt service on the Series 2008A Housing Bonds. In addition, amounts pledged under the Trust Indenture, are only available to pay debt service on the Series 2008A Housing Bonds.

Continuing Disclosure

The Agency has covenanted for the benefit of the owners of the Series 2008A Housing Bonds to provide, so long as the Series 2008A Housing Bonds are outstanding, certain financial information and operating data relating to the Agency (the "Annual Report") by not later than 270 days following the end of the Agency's Fiscal Year (which is currently June 30), commencing with the Annual Report for the [2005-06] Fiscal Year and to provide notices of the occurrences of certain enumerated events, if material. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the Agency is set forth in the Continuing Disclosure Certificate for the Series 2008A Housing Bonds. See "Continuing Disclosure" herein and Appendix F – "Form of Continuing Disclosure Certificate" attached hereto.

Certain Investigations Regarding the City

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

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

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

On November 14, 2006, the City entered into a cease-and-desist order with the Commission relating to violations of the antifraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 in connection with the offer and sale of municipal securities in 2002 and 2003, and other related public financial disclosures.

The Commission concluded that the "City's public disclosures in the preliminary official statements and official statements for its 2002 and 2003 offerings, its 2003 continuing disclosures, and presentations to the rating agencies failed to disclose material information regarding the City's current funding of its pension and retiree health care obligations, the City's future pension and retiree health care obligations, and the City's

ability to pay those future obligations.” The Commission further concluded that “[t]he City, through its officials, acted with scienter.”

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

On December 10, 2007, the Commission filed a settled civil fraud action against the City’s independent auditor, Calderon, Jaham & Osborn, in connection with the City’s false and misleading financial statements in five 2002 and 2003 bond offerings by the City. The Commission’s investigation is ongoing as to individuals and other entities that may have violated federal security laws. The City Attorney has prepared several reports regarding the City’s underfunding of its pension system in which he concluded that various City officials violated provisions of federal securities laws and other State law. All of those reports are available on the City Attorney’s website.

On March 16, 2007 KPMG released an unqualified opinion regarding the City’s financial statements for the fiscal year ending June 30, 2003. The 2003 financial statements were referred to the City’s Audit Committee, which consists of three members of the City Council. The Audit Committee completed its review of the 2003 financial statements on May 21, 2007, and on June 5, 2007 the City Council received and filed the City’s Fiscal Year 2003 Comprehensive Annual Financial Report (CAFR).

On May 11, 2007, Macias released an unqualified opinion on the City’s Financial Statements for Fiscal Year 2004. The financial statements were reviewed by the Audit Committee on July 9, 2007 and on July 24, 2007 the City Council received and filed the City’s Fiscal Year 2004 CAFR.

On October 26, 2007, Macias released an unqualified opinion on the City’s Financial Statements for the Fiscal Year 2005. On December 13, 2007 the City’s Chief Operating Officer notified the Audit Committee of the City’s intention to re-open the 2005 CAFR for the limited purpose of revising the disclosures related to the Preservation of Benefits Plan. The 2005 CAFR is currently being reviewed by the Audit Committee.

At this time it is unknown when Macias will complete its audits of the City’s financial reports for fiscal years 2006 and 2007.

The Series 2008A Housing Bonds are not payable from any funds of the City, including amounts in the City’s General Fund and Housing Tax Revenues are not expected to be directly impacted by the financial condition of the City. See “Security for the Series 2008A Housing Bonds – Limited Obligation” herein. However, Tax Revenues are initially invested in the City’s Investment Pool before they are transferred to the Trustee for deposit in accordance with the Trust Indenture. See “Centre City Project – Investments,” “Risk Factors – Investment of Tax Revenues” and “Risk Factors – Certain Bankruptcy Risks” herein. To the best knowledge of the Agency, the investigations relating to the City’s financial statements and disclosure practices do not involve matters directly related to the security for, or the payment of, the Series 2008A Housing Bonds.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement, including the appendices hereto, constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities and Exchange Act of 1934, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations

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

Additional Information

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

Copies of the Trust Indenture are available upon request and payment of costs to the Agency at Centre City Development Corporation, 225 Broadway, Suite 1100, San Diego, California 92101, Attention: Vice President and Chief Financial Officer (619) 533-7130.

THE AGENCY

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

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

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

CENTRE CITY DEVELOPMENT CORPORATION

In 1976 the City Council designated the CCDC as operating manager of redevelopment projects in the downtown area of the City (the "Centre City") with responsibility for the planning, implementation and administration of such projects. CCDC currently has 48 employees and manages the Centre City Project and the Horton Plaza Project. CCDC is managed by a Board of Directors appointed by the City Council consisting

of seven individuals and a professional staff. The current members of the Board of Directors, the dates their terms expire and their present occupations are as follows:

CCDC Board of Directors

<u>Director</u>	<u>Term Expires</u>	<u>Occupation</u>
Fredric Maas, Chair	May 2008	Real Estate Developer
Robert A. McNeely, Vice Chair	May 2008	Banker
Kim John Kilkenny, Treasurer	May 2008	Real Estate Developer
William Shaw, Secretary	May 2010	Retired Construction Executive
Jennifer LeSar, Director	May 2009	Consultant
Teddy Cruz, Director	May 2010	Architect

The senior staff of CCDC currently consists of the following members:

Nancy M. Graham, President and Chief Operating Officer. Nancy Graham joined CCDC in December 2005. Prior to joining CCDC, Ms. Graham was a partner with N-K Ventures, LLC, involved in the development of urban in-fill projects, which provides consulting services for cities and developers on urban redevelopment strategies. Ms. Graham served as the mayor of West Palm Beach, Florida, from 1991 until March 1999, where she lead the fiscal recovery and redevelopment efforts of the city. Prior to serving as mayor, Graham practiced law for 10 years, specializing in land use, zoning, comprehensive planning and environmental law. She has served in numerous state, county and local business and non-profit organizations. Ms. Graham obtained a bachelor of science degree from the University of Central Florida (1979 with high honors), and a J.D. from the University of Florida Holland Law Center (1982, Order of the Coif).

Frank J. Alessi, Vice President and Chief Financial Officer. Frank Alessi joined CCDC in June 1979 as Director of Finance. Prior to joining CCDC, Mr. Alessi served as controller for a manufacturing and construction company with annual sales of \$45 million. He is a member of the Urban Land Institute, Lambda Alpha International, the California Society of Municipal Finance Officers, and served on the Board of the San Diego Redevelopment Financing Authority. Mr. Alessi currently serves as a member of the Parking Advisory Board of the City. Mr. Alessi obtained a bachelor of science degree in Public Accounting from the State University of New York at Albany.

Barbara Kaiser, Vice President – Real Estate Operations. Barbara Kaiser began with CCDC as Vice President – Real Estate Operations in May 2006. Prior to coming to CCDC, Ms. Kaiser was the Redevelopment Bureau Manager with the City of Long Beach for eleven years, responsible for seven redevelopment areas within the City implementing new residential, commercial, industrial and public projects. Ms. Kaiser also served as Deputy City Administrator and Director of Economic Development with the City of Huntington Beach for five years, during which she was responsible for the management of redevelopment projects, small business assistance and expansion, and federal housing programs within the city. Ms. Kaiser has both a bachelor's degree and master's degree in Public Administration from San Diego State University.

Derek Danziger, Vice President – Marketing and Communications. Derek Danziger has been with CCDC since 1999. He manages CCDC's media, public relations, advertising and outreach activities, coordinates special events, writes and produces television segments, all related promotional brochures and news articles and oversees the development and maintenance of two corporation websites. Prior to joining CCDC, Mr. Danziger spent several years working in the education and public relations departments at SeaWorld Adventure Parks in San Diego and served as Director of Media and Public Relations for the Super Bowl XXXII Host Committee. He is a graduate of University of California at San Diego ("UCSD") where he earned his bachelor's degree in Communication. He is a board member of the UCSD Triton Athletic

Associates previously served as president of the San Diego chapter of the Public Relations Society of America and board member of the UCSD Alumni Association.

Philip J. Bona, AIA/APA, Assistant Vice President – Architecture and Planning. Philip Bona joined CCDC in June 2007. He is responsible for managing the entitlement and permitting process for all new projects in downtown San Diego as well as maintaining and updating the Planned District Ordinance, the Community Plan and the various neighborhood design guidelines. Before joining CCDC, Mr. Bona worked 33 years in architecture and urban planning for various architectural and engineering firms in the San Francisco Bay Area and has a diverse background in architectural design for both the public and private sectors. Mr. Bona has been active in the American Institute of Architects organization and the American Planning Association, the Urban Land Institute and the U.S. Green Building Council. Mr. Bona serves as Vice President of Legislative Affairs for the California Council of the American Institute of Architects, is a regent on the California Architectural Foundation Board and chairs numerous committees. Mr. Bona received both a bachelor's and master's degree in architecture and a Branner Fellowship from the University of California, Berkeley.

David N. Allsbrook, Assistant Vice President – Contracting and Public Works. David Allsbrook has been a staff member of CCDC since 1978. Before joining CCDC, Mr. Allsbrook worked for the Redevelopment Agency of the City of San Diego. He is responsible for acquiring land for parks and open space, relocating tenants, managing property, brokering public/private partnerships, implementing CCDC's public works program and encouraging fair and open contract bidding processes. Some of the highlights of Mr. Allsbrook's career include land acquisition and development agreements for Horton Plaza, Petco Park and several recent residential and commercial development projects in East Village and Little Italy. Mr. Allsbrook serves as Vice President of the Children's Health Fund Board and is a member of Chapter 11 of the International Right of Way Association. Mr. Allsbrook received a bachelor of arts degree in Public Administration from San Diego State University, where he has also completed graduate work in Urban Geography.

Jeff Graham, Assistant Vice President – Redevelopment. On June 4, 2007, Jeff Graham joined CCDC as the Manager of Redevelopment. Mr. Graham participates in developer negotiations, analyzing complex development proposals, and ensuring compliance with redevelopment law for agreements and contracts. Prior to joining CCDC, Mr. Graham was employed by Gafcon, Inc., where he served as the Director of Real Estate Economics and provided economic, fiscal and strategic guidance to both public and private sector clients. Mr. Graham received a Bachelor of Arts degree in Economics and Political Science from the University of Pittsburgh and a Master of Business Administration degree in International Business from San Diego State University.

THE SERIES 2008A HOUSING BONDS

General

The Series 2008A Housing Bonds will be dated, will bear interest at the rates per annum and will mature, subject to prior redemption or acceleration, as shown on the inside cover page of this Official Statement. The Series 2008A Housing Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof. Interest on the Series 2008A Housing Bonds shall be payable on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing September 1, 2008. Interest on the Series 2008A Housing Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months and shall be payable on each Interest Payment Date until maturity or prior redemption.

DTC will act as securities depository for the Series 2008A Housing Bonds. The Series 2008A Housing Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of the Series 2008A Housing Bonds in denominations equal to the aggregate principal amount of the Series 2008A Housing Bonds

maturing in that year, and will be deposited with DTC. All payments due on the Series 2008A Housing Bonds will be made to DTC or its nominee, which is obligated in turn to remit such payment to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2008A Housing Bonds, as more fully described herein. So long as Cede & Co. is the registered owner of the Series 2008A Housing Bonds, as nominee of DTC, references herein to the owners of the Series 2008A Housing Bonds or Bondowners shall mean Cede & Co. and shall not mean the actual purchasers of the Series 2008A Housing Bonds (the "Beneficial Owners"). See Appendix D – "Book-Entry System" attached hereto.

Redemption*

Optional Redemption. The Series 2008A Housing Bonds maturing before September 1, 2017 are not subject to call and redemption prior to maturity. The Series 2008A Housing Bonds maturing on or after September 1, 2018 shall be subject to redemption prior to maturity, at the option of the Agency, as a whole on any date or in part on any Interest Payment Date, among maturities as shall be determined by the Agency, and by lot within each maturity (each Series 2008A Housing Bond being deemed to be composed of \$5,000 portions with each such portion being separately redeemable), from funds derived by the Agency from any source, on or after September 1, 2017, at the redemption price for each redeemed Series 2008A Housing Bond calculated as the principal amount thereof to be redeemed, with accrued interest to the date of redemption, without premium.

[ALTERNATIVE MAKE-WHOLE OPTIONAL REDEMPTION PROVISION: The Series 2008A Housing Bonds maturing on or before September 1, 2017 will not be subject to optional redemption.

The Series 2008A Housing Bonds maturing on September 1, 20__ (the "Term Bonds") are subject to optional redemption prior to their maturity at the option of the Authority, in whole or in part (and if in part, *pro rata* as described below) on any date, at a redemption price equal to the greater of: (1) 100 percent of the principal amount of the Term Bonds to be redeemed; or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Term Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus ___ basis points, plus accrued and unpaid interest on the Term Bonds being redeemed to the date fixed for redemption.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Term Bond, the US Treasury security or securities selected by the Independent Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Term Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Term Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Series 2008A Housing Bond, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (2) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Trustee in consultation with the Agency.

"Reference Treasury Dealer" means each of the dealers designated in the Indenture and their respective successors and three other firms, specified by the Agency from time to time, that are primary U.S. Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided,

* Preliminary, subject to change.

however, that if any of them ceases to be a Primary Treasury Dealer, the Agency will substitute another Primary Treasury Dealer.

“Reference Treasury Deal Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a Series 2008A Housing Bond, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date for a Series 2008 Housing Bond, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price.]

Sinking Fund Redemption. The Series 2008A Housing Bonds maturing on September 1, 20__ (the “Term Bonds”) shall be subject to mandatory sinking fund redemption in part commencing on September 1, 20__, from mandatory sinking fund payments set aside in the Principal Account, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below:

<u>Year</u> <u>(September 1)</u>	<u>Amount</u>
	\$

(1)

(1) Maturity.

In the event that all or a portion of the principal installments of the Term Bonds of the same maturity have been prepaid by the Agency and any Term Bonds of the same maturity have thus been redeemed, the total amount of all future sinking fund payments set forth in the preceding schedule for the related Term Bonds of that maturity will be reduced by the aggregate principal amount of the Term Bonds of such maturity so redeemed, to be allocated among each sinking fund payment for the Term Bonds of that maturity on a *pro rata* basis in integral multiples of \$5,000 as determined by the Trustee. In lieu of depositing cash with the Trustee as a mandatory sinking fund payment, the Agency shall have the option to tender to the Trustee for cancellation at least sixty (60) days prior to a sinking fund redemption date any amount of Term Bonds purchased by the Agency which Term Bonds may be purchased by the Agency at public or private sale as and when and at such prices as the Agency may in its discretion determine, or to direct the Trustee to use a portion of the moneys held in the Housing Special Fund for such redemptions to purchase Term Bonds, at the direction of the Agency, in the open market at a price or prices not in excess of the principal amount thereof (plus applicable accrued interest).

Selection of Series 2008A Housing Bonds for Redemption. Except as otherwise provided in the Trust Indenture, whenever provision is made in the Trust Indenture for the mandatory sinking fund redemption of less than all of the Term Bonds, or any given portion thereof, the Trustee shall select the Term Bonds, to be redeemed from all Term Bonds, on a *pro rata* basis to each holder in whose name such Term Bonds are registered, subject to redemption or such given portion thereof equal to a multiple of \$5,000 not previously called for redemption in any manner which the Agency, in its sole discretion, shall direct to the Trustee in writing. Except as otherwise provided in the Trust Indenture, whenever provision is made in the Trust Indenture for the optional redemption of less than all of the Series 2008A Housing Bonds, or any given portion thereof, the Trustee shall select the Series 2008A Housing Bonds to be redeemed from all Series 2008A

Housing Bonds, subject to redemption or such given portion thereof equal to a multiple of \$5,000 not previously called for redemption by lot in any manner which the Agency, in its sole discretion, shall direct to the Trustee in writing. The Trustee shall promptly notify the Agency in writing of the Series 2008A Housing Bonds, or portions thereof so selected for redemption. "Pro rata" means, in connection with any mandatory sinking fund redemption in part, with respect to the allocation of amounts to be redeemed, the application to such amounts of a fraction, the numerator of which is equal to the amount of the specific maturity of Term Bonds held by a holder of such Term Bonds, and the denominator of which is equal to the total amount of such maturity of Term Bonds then Outstanding. So long as there is a securities depository for the Term Bonds, there will be only one registered owner and neither the Agency nor the Trustee will have responsibility for prorating partial redemptions among beneficial owners of the Term Bonds.

Notice of Redemption. Notice of redemption will be given by the Trustee for and on behalf of the Agency, not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail to each of the Insurer and the Owners designated for redemption at their addresses appearing on the Series 2008A Housing Bond registration books of the Trustee on the date such Series 2008A Housing Bonds are selected for redemption. The actual receipt of notice of such redemption by the owner of any Series 2008A Housing Bond shall not be a condition precedent to redemption, and failure to receive such notice or any defect therein will not affect the validity of the proceedings for the redemption of such Series 2008A Housing Bonds or the cessation of interest on the redemption date. The Agency shall have the right to rescind any notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Series 2008A Housing Bonds then called for redemption, and such cancellation shall not constitute an event of default under the Trust Indenture. The Agency 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.

Debt Service Schedule*

Set forth below is the debt service on the Series 2008A Housing Bonds.

<u>Bond Year</u>	<u>Principal*</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$	\$
2009	4,245,000		
2010	4,470,000		
2011	4,710,000		
2012	4,965,000		
2013	5,230,000		
2014	5,510,000		
2015	5,805,000		
2016	6,120,000		
2017	6,445,000		
2018	6,795,000		
2019	7,160,000		
2020	7,545,000		
Total	\$69,000,000		

Source: Sutter Securities Incorporated.

* Preliminary, subject to change.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2008A Housing Bonds are expected to be applied as set forth below. Amounts deposited in the Housing Special Fund will be used by the Agency to finance certain improvements relating to, or increasing the supply of, low and moderate income housing in the Project Area and such other areas as authorized by the Redevelopment Law.

Sources of Funds:

Principal Amount of the Series 2008A Housing Bonds	\$
Total	\$ _____

Uses of Funds:

Deposit to Housing Special Fund	\$
Deposit to Reserve Account	
Deposit to Cost of Issuance Account [†]	
Total	\$ _____

[†] Includes the Underwriters' discount, legal fees, fiscal consultant fees, financial advisor fees, rating agency fees, bond insurance premium and other costs of issuance in connection with the Series 2008A Housing Bonds.

SECURITY FOR THE SERIES 2008A HOUSING BONDS

General

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

1. The portion equal to the amount of those taxes which would have been produced by the current tax rate, applied to the assessed value of the taxable property in each Sub Area as last equalized prior to the Effective Date is paid (when collected) into the funds of those respective taxing agencies as taxes by or for such taxing agencies;
2. Except as provided in subparagraph (3) below, that portion of such levied taxes each year in excess of such amount is allocated to and when collected paid into a special fund of the Agency, to the extent required to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, (i) the Agency's redevelopment projects within the Centre City Project, (ii) under certain circumstances, publicly owned improvements outside of the Centre City Project, and (iii) housing for persons and families of low or moderate income within the jurisdiction of the Agency outside of the Centre City Project; and
3. That portion of the taxes identified in subparagraph (2) above that are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of real property approved by the voters of the taxing agency on or after January 1, 1989, shall be allocated to, and when collected shall be paid into, the fund of such taxing agency.

"Tax Revenues", as set forth in the Plan, means that portion of taxes levied (including all payments, reimbursements and subventions paid by the State, if any, specifically attributable to ad valorem taxes lost by

reason of business inventory tax or other exemptions and tax rate limitations) upon taxable property in the Centre City Project which is allocated to and paid into a special fund of the Agency pursuant to Article 6 of Chapter 6 of the Redevelopment Law, Section 16 of Article XVI of the Constitution of the State of California and the Plan, as such portion of taxes shall be modified by the Tax Increment Limitation. "Tax Increment Limitation" means the limitation of \$2,894,000,000 contained in the Plan setting the maximum amount of Tax Revenues which may be paid to the Agency for the Centre City Project, as such limitation may be amended from time to time pursuant to the Redevelopment Law, and excluding from the calculation of such limit the amounts permitted to be excluded by the Redevelopment Law. Of the \$2,894,000,000 maximum amount of Tax Revenues which may be paid to the Agency for the Centre City Project, approximately 20 percent is projected to be deposited in the Housing Fund established by the Agency pursuant to the Redevelopment Law. In addition, pursuant to Section 33334.1 of the Redevelopment Law, the Agency has limited the amount of bonded indebtedness which can be outstanding for the Centre City Project to \$1,073,000,000. As of March 31, 2008, the Agency will have \$421,486,756 of bonded indebtedness outstanding with respect to the Centre City Project.

The Agency has entered into various agreements and is subject to certain provisions of the Redevelopment Law pertaining to, among other things, the allocation of property tax revenues and Tax Revenues amongst various taxing entities. Certain of the payments to tax entities are made from gross property tax revenues and are not included within the Tax Increment Limitation. Also, the Agency makes certain payments, such as payments pursuant to Pass-Through Agreements (as defined herein) and Statutory Pass-Through Payments (as defined herein), from the non-housing portion of Tax Revenues, not from amounts constituting Pledged Housing Tax Revenues which secure the Series 2008A Housing Bonds. See "Tax Allocation Financing and Limitations on Tax Revenues - Pass-Through Agreements," "- Statutory Pass-Through Payments" and "- Section 33676 Resolutions" herein.

Pledge and Allocation of Tax Revenues for the Series 2008A Housing Bonds

The Series 2008A Housing Bonds and the Parity Bonds are secured by a pledge (which pledge shall be effected in the manner and to the extent provided in the Trust Indenture) of all of the Pledged Housing Tax Revenues (except as otherwise provided in the Trust Indenture). The Series 2008A Housing Bonds are also secured by a pledge of all of the moneys in the Housing Special Fund, the Interest Account, the Principal Account, the Reserve Account and the Redemption Fund established and maintained pursuant to the Trust Indenture. Pledged Housing Tax Revenues shall be allocated, on a parity basis, to the payment of the principal and interest, and redemption premium, if any, of the Series 2008A Housing Bonds and any Parity Bonds and to the respective Reserve Accounts for such Series 2008A Housing Bonds and Parity Bonds, for the purposes set forth in the Indenture; provided that out of the Pledged Housing Tax Revenues there may be apportioned such amounts for such other purposes as are expressly permitted by the Trust Indenture. The pledge and allocation of Pledged Housing Tax Revenues is for the exclusive benefit of the Series 2008A Housing Bonds and any Parity Bonds and shall be irrevocable until all of the Series 2008A Housing Bonds have been paid and retired or until moneys have been set aside with the Trustee irrevocably for that purpose. "Pledged Housing Tax Revenues" means, for each Bond Year, the first Housing Tax Revenues in an amount that is equal to Annual Debt Service on the Series 2008A Housing Bonds and any Parity Bonds for such Bond Year, plus an amount, if any, equal to the amount required to maintain the respective Reserve Accounts for such Series 2008A Housing Bonds and Parity Bonds at the applicable Reserve Requirement. "Housing Tax Revenues" means those Tax Revenues which are required to be deposited into the Housing Fund pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Redevelopment Law in such Bond Year. "Parity Bonds" means the Series 2004 Housing Bonds, the Series 2006 Housing Bonds and any bonds, notes, loans, advances, or indebtedness issued or incurred by the Agency payable from all or a portion of Pledged Housing Tax Revenues on a parity with the Series 2008A Housing Bonds in accordance with the provisions of the Trust Indenture. Housing Tax Revenues are not pledged to the payment of debt service on any Tax Allocation Bonds.

The Agency covenants in the Trust Indenture with the Owners of all of the Series 2008A Housing Bonds at any time Outstanding that it will not enter into any obligation or make any expenditure payable from

taxes allocated to the Agency under the Redevelopment Law the payments of which, together with payments theretofore made or to be made with respect to other obligations (including, but not limited to, the Series 2008A Housing Bonds) previously entered into by the Agency, would exceed the then-effective limit on the amount of taxes which can be allocated to the Agency pursuant to Section 33333.4 of the Redevelopment Law and the Plan. The Plan establishes \$2,894,000,000 as the Tax Increment Limitation, approximately 20 percent of which is projected to be deposited in the Housing Fund established by the Agency pursuant to the Redevelopment Law. At the rate of increase in the assessed value of property in the Centre City Project set forth in the Report of the Fiscal Consultant (see Appendix A – “Report of the Fiscal Consultant” attached hereto), the Agency may reach the Tax Increment Limit for the Centre City Project prior to the final maturity date of the Series 2008A Housing Bonds. See “Risk Factors – Tax Increment Estimates” herein. Unless the Plan is amended to increase the Plan Limit or indebtedness (see “Tax Allocation Financing and Limitations on Tax Revenues - Plan Limitations” herein), the Agency shall cause to be prepared annually, within one hundred and eighty (180) days after the close of each Fiscal Year, so long as any of the Series 2008A Housing Bonds are Outstanding, a Certificate of the Agency setting forth a calculation of (i) the total amount of Housing Tax Revenues remaining available to be received by the Agency within the Plan Limit and (ii) the total amount of future debt service on the Series 2008A Housing Bonds and any Parity Bonds. Regardless of whether the Plan is amended, when the remaining aggregate Annual Debt Service on all outstanding Series 2008A Housing Bonds and Parity Bonds equals or exceeds ninety-five percent (95%) or more of the Housing Tax Revenues remaining available to the Agency pursuant to the Plan, if ever, the Agency shall deposit all future Housing Tax Revenues not required to pay current principal of and interest on the Series 2008A Housing Bonds or Parity Bonds with the Trustee and the trustees for such other obligations, to be applied annually, at the earliest possible dates, to the *pro rata* optional redemption of the Series 2008A Housing Bonds or Parity Bonds until no Series 2008A Housing Bonds or Parity Bonds remain Outstanding, provided, that such amount need not be deposited if an Independent Certified Public Accountant verifies that the amount held by the Trustee is sufficient to pay principal of, interest and premium, if any, on all Outstanding Series 2008A Housing Bonds. See Appendix C – “Summary of Principal Legal Documents” attached hereto.

Reserve Account

To further secure the payment of principal of and interest on the Series 2008A Housing Bonds, the Agency is required, upon delivery of the Series 2008A Housing Bonds, to fund a Reserve Account under the Trust Indenture, in an amount equal to the Reserve Requirement for the Series 2008A Housing Bonds. “Reserve Requirement” with respect to the Series 2008A Housing Bonds as of their date of issuance is an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of the Series 2008A Housing Bonds; (ii) Maximum Annual Debt Service on the Outstanding Series 2008A Housing Bonds; or (iii) 125% of average Annual Debt Service on the Series 2008A Housing Bonds, and thereafter means an amount equal to the lesser of the initial Reserve Requirement or Maximum Annual Debt Service on the Outstanding Series 2008A Housing Bonds. “Maximum Annual Debt Service” means, with respect to the Series 2008A Housing Bonds, or, if applicable, a series of Parity Bonds, as of the date of any calculation, the largest Annual Debt Service with respect to such series of 2008A Housing Bonds or Parity Bonds during the current or any future Bond Year. “Annual Debt Service” for the Series 2008A Housing Bonds and any Parity Bonds means, for each Bond Year, the sum of (1) the interest falling due on such Outstanding indebtedness in such Bond Year, assuming that such Outstanding indebtedness is retired as scheduled and that any mandatory sinking fund account payments are made as scheduled, and (2) the principal amount of such Outstanding indebtedness falling due by their terms in such Bond Year including any principal required to be prepaid by operation of mandatory sinking fund payments, together with the redemption premiums, if any, thereon. The initial Reserve Requirement for the Series 2008A Housing Bonds is \$ _____, which will initially be funded with a portion of the proceeds of the Series 2008A Housing Bonds.

With the prior written consent of the Insurer the Reserve Requirement may be satisfied [in whole or in part] by crediting to the Reserve Account moneys, a letter of credit, a bond insurance policy, any other comparable credit facility or any combination thereof, for which the Agency has received confirmation from any rating agency then rating the Series 2008A Housing Bonds that replacement will not adversely affect the

rating on the Series 2008A Housing Bonds and which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Requirement; provided, however, the provider of any such letter of credit, bond insurance policy or other comparable credit facility, must be rated in one of the two highest rating categories by any rating agency then rating the Series 2008A Housing Bonds at the time of delivery of such letter of credit, bond insurance policy or other comparable credit facility.

No Senior Bonds

The Agency covenants in the Trust Indenture not to issue any obligations with a lien on Housing Tax Revenues senior to the lien of the Series 2008A Housing Bonds and any Parity Bonds.

Additional Parity Bonds

In addition to the Series 2008A Housing Bonds, the Agency may by a Parity Bond Trust Indenture, issue Parity Bonds payable from all or a portion of Pledged Housing Tax Revenues as and to the extent provided in the Trust Indenture and secured by the pledge of such Pledged Housing Tax Revenues made under the Trust Indenture equally and ratably with the Series 2008A Housing Bonds, provided the Agency complies with the provisions of the Trust Indenture and any additional requirements set forth in said Parity Bond Indenture and subject to the following specific conditions, which are conditions precedent to the issuance of any such Parity Bonds:

- (a) No Event of Default shall have occurred and then be continuing;
- (b) A Tax Revenue Certificate shall be delivered to the Trustee stating that the Housing Tax Revenues to be received by the Agency in the then current Bond Year, based upon the most recent assessed valuation of taxable property in the Project Area and as shown on the records of the County and assuming a property tax rate of one percent (1%), plus, at the option of the Agency, the Additional Allowance if any Additional Allowance is identified in a Report of Independent Financial Consultant or Redevelopment Consultant delivered to the Trustee, are at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service on all Series 2008A Housing Bonds and Parity Bonds which will be Outstanding following the issuance of such Parity Bonds;
- (c) The Agency shall certify to the Trustee that the aggregate amount of the principal of and interest on all Outstanding Series 2008A Housing Bonds and other Agency indebtedness secured by a lien on Housing Tax Revenues coming due and payable following the issuance of such Parity Bonds shall not exceed the maximum amount of Housing Tax Revenues permitted under the Plan to be allocated and paid to the Agency following the issuance of such Parity Bonds;
- (d) The Parity Bond Indenture authorizing the issuance of Parity Bonds shall provide that (i) interest on such Parity Bonds shall be payable on March 1 and September 1 in each year of the term of such Parity Bonds, and (ii) the principal of such Parity Bonds shall be payable on September 1 in any year, as determined by the Agency, in which principal is payable;
- (e) On the date of delivery of the Parity Bonds to the original purchaser thereof, money shall be deposited in a reserve account (or a reserve fund letter of credit, bank insurance policy or other comparable credit facility provided) in an amount necessary to increase the amount in such reserve account to the Reserve Requirement for such Parity Bonds, calculated on the same basis as the Reserve Requirement for the Series 2008A Housing Bonds; and
- (f) The Agency shall deliver to the Trustee a certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Bonds set forth in the Trust Indenture have been satisfied and that the deposit into the Reserve Account as set forth above has been made.

Notwithstanding anything in the Trust Indenture to the contrary, the Agency may issue Parity Bonds for the purpose of refunding in whole or in part one or more series of Outstanding Series 2008A Housing Bonds or Parity Bonds without complying with paragraph (b) above if Maximum Annual Debt Service for such Series 2008A Housing Bonds or Parity Bonds is reduced as a result of such refunding.

Limited Obligation

The Series 2008A Housing Bonds are special obligations of the Agency, and the Series 2008A Housing Bonds and the interest thereon are payable from, and are secured equally and on a parity with the Parity Bonds, by a charge and lien on the Pledged Housing Tax Revenues derived by the Agency from the Redevelopment Project and other amounts pledged under the Trust Indenture. The Series 2008A Housing Bonds are not a debt of the City, the State, or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable thereon. The Series 2008A Housing Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. In no event shall the Series 2008A Housing Bonds be payable out of any funds or properties other than those of the Agency as set forth in the Trust Indenture. No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal of or interest on the Series 2008A Housing Bonds.

BOND INSURANCE

The following information has been supplied by [Insurer] for inclusion in this Official Statement. No representation is made by the Agency or the Underwriters as to the accuracy or completeness of the information. See Appendix G – “Form of Financial Guaranty Insurance Policy” attached hereto.

[To come from Insurer.]

TAX ALLOCATION FINANCING AND LIMITATIONS ON TAX REVENUES

General

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies within the project area (the “Taxing Agencies”) thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (the “tax increment”) are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. The tax increment may be subject to a number of claims and reductions which are prior to the pledge of the repayment of redevelopment agency indebtedness, including, among others, pass-through agreements with the Taxing Agencies and administrative charges by the County. However, the Agency makes certain payments, such as payments pursuant to Pass-Through Agreements and Statutory Pass-Through Payments, from the non-housing portion of Tax Revenues, not from amounts constituting Pledged Housing Tax Revenues which secure the Series 2008A Housing Bonds. See “Tax Allocation Financing and Limitations on Tax Revenues – Pass-Through Agreements” and “– Statutory Pass-Through Payments” herein.

The Series 2008A Housing Bonds are special obligations of the Agency, and the Series 2008A Housing Bonds and the interest thereon are payable from, and are secured equally and on a parity with the Parity Bonds, by a charge and lien on the Pledged Housing Tax Revenues derived by the Agency from the Redevelopment Project and other amounts pledged under the Trust Indenture.

Article XIII A of State Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed two percent per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

Legislation Implementing Article XIII A

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

Article XIII B of State Constitution

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

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

Unitary Property

Assessed value derived from unitary property assessed by the State Board of Equalization (consisting mostly of operational property owned by utility companies) are allocated to each taxing entity in the County in the following manner (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to two percent, (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced *pro rata* county-wide, and (3) any increase in revenue above two percent would be allocated in the same proportion as the taxing entity's local

secured taxable values are to the local secured taxable values of the County. The portion of tax revenues allocable to the Agency with respect to the Centre City Project and attributable to unitary property is expected to be \$398,555 for Fiscal Year 2007-08.

Property Tax Collection Procedures

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing state-assessed public utilities property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A tax levied on unsecured property does not become a lien against the unsecured property but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has a priority over all other liens arising pursuant to California law on the secured property, regardless of the time of creation of the other liens.

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

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

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

According to the County Auditor & Controller Property Tax Services' *Tentative Apportionment Schedule for Community Redevelopment Agency 2007/08*, approximately 40% of total tax increment revenues are expected to be paid by mid-December, approximately 86% of total tax increment revenues are expected to be paid by mid-April and approximately 95% of total tax increment revenues are expected to be paid by mid-May. The payment of the balance of tax increment revenues, plus any previously delinquent taxes, are apportioned in July of each year. See Appendix A - "Report of the Fiscal Consultant" attached hereto.

Plan Limitations

Provisions of the Redevelopment Law and the Plan establish various time limits for undertaking redevelopment activities and for repaying debt incurred to finance redevelopment projects. These time limits for the Sub Areas are set forth in Table 1 below. Pursuant to Senate Bill 211, the City Council adopted Ordinance No. O-2003-79 on December 9, 2002, eliminating the time limits for incurring debt which had previously applied to the Centre City Project. Pursuant to Senate Bill 1045, adopted in connection with the approval of the State Budget for Fiscal Year 2003-04, redevelopment agencies are permitted to extend the effective date of their redevelopment plans and the date to receive tax increment revenues by one year. The City Council adopted Ordinance No. O-19479 on April 7, 2006 extending the effective dates of each Sub Area by one year. The City Council has not extended the effective dates of any Sub Area pursuant to Senate Bill 1096 ("Senate Bill 1096"), which permits the effective date of a redevelopment plan to be extended by one year for each year a payment is made by a redevelopment agency to the County's Educational Revenue Augmentation Fund (the "ERAF"). The current effective dates of each Sub Area are set forth in Table 1.

The Agency may not receive and may not repay indebtedness with the proceeds from property taxes received pursuant to Section 33670 of the Redevelopment Law and the Plan beyond the dates for the Sub Areas indicated in Table 1 below, except to repay debt to be paid from the Housing Fund established pursuant to Section 33334.3 of the Redevelopment Law and the Plan, or debt established in order to fulfill the Agency's obligations under Section 33413 of the Redevelopment Law and the Plan. As of the date of this Official Statement, there is no deficiency.

Pursuant to the Plan, the maximum amount of tax increment the Agency may receive from the Centre City Project is \$2,894,000,000. Payments to the ERAF are not included in this tax increment limitation. See "Risk Factors - State Budgets" herein. As of the end of Fiscal Year 2006-07, the Agency received approximately \$662,915,784 from the Centre City Project and the total amount of payments to the ERAF was \$7,206,000. Depending on the rate of increase in the assessed value of property in the Centre City Project, the Agency may reach the Tax Increment Limit for the Centre City Project while the Series 2008A Housing Bonds are outstanding. See "Security for the Series 2008A Housing Bonds - Pledge and Allocation of Tax Revenues for the Series 2008A Housing Bonds" and "Risk Factors - Tax Increment Estimates" herein.

Subject to certain limited exceptions, such as the prior deferral, reduction or elimination of the set-aside of Housing Tax Revenues for a given fiscal year in accordance with the Redevelopment Law, the Agency may not collect additional Housing Tax Revenues after the Tax Increment Limitation has been reached. The Agency covenants in the Trust Indenture with the Owners of all of the Series 2008A Housing Bonds at any time Outstanding that it will not enter into any obligation or make any expenditure payable from taxes allocated to the Agency under the Redevelopment Law the payments of which, together with payments theretofore made or to be made with respect to other obligations (including, but not limited to, the Series 2008A Housing Bonds) previously entered into by the Agency, would exceed the then-effective limit on the amount of taxes which can be allocated to the Agency pursuant to Section 33333.4 of the Redevelopment Law and the Plan. The Agency has also covenanted in the Trust Indenture to cause the preparation of, annually, so long as any of the Series 2008A Housing Bonds are Outstanding, a certificate of the Agency setting forth certain calculations with respect to the total amount of Housing Tax Revenues remaining and the total amount of future debt service on the Series 2008A Housing Bonds and any Parity Bonds. See "Security for the Series 2008A Housing Bonds - Pledge and Allocation of Tax Revenues for the Series 2008A Housing Bonds" herein.

In addition, pursuant to Section 33334.1 of the Redevelopment Law, the Agency has limited the amount of bonded indebtedness which can be outstanding to \$1,073,000,000 for the Centre City Project. As of March 31, 2008, the Agency will have \$421,486,756 of bonded indebtedness outstanding with respect to the Centre City Project, which amount includes certain parking revenue obligations subject to such limit on outstanding bonded indebtedness but excludes the Series 2008A Housing Bonds. See "Centre City Project - Outstanding Debt" herein.

Table 1
Redevelopment Agency of the City of San Diego
Centre City Project
Plan Limitations for Sub Areas

<u>Sub Areas</u>	<u>Adoption Date</u>	<u>Plan Ends</u>	<u>Final Repayment Date</u>
Marina	December 29, 1976	December 29, 2017	December 29, 2027
Columbia	December 29, 1976	December 29, 2017	December 29, 2027
Gaslamp Quarter	July 26, 1982	July 30, 2023	July 30, 2033
Expansion	May 11, 1992	May 11, 2033	May 11, 2043

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

Filing of Agency Indebtedness

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

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

Property Tax Administrative Charges

Counties are allowed to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. The property tax administrative charges are paid from Tax Revenues received by the Agency and included within the Tax Increment Limitation. See “Centre City Project – Projected Tax Revenues” herein and Appendix A – “Report of the Fiscal Consultant” attached hereto.

Pass-Through Agreements

Under the Redevelopment Law at the time of the adoption of the Plan, taxing jurisdictions that would experience a fiscal burden caused by the existence of a redevelopment plan could enter into fiscal agreements with the relevant redevelopment agency to alleviate such burden. Such agreements, authorized under Section 33401 as in existence at the time of the adoption of the Plan, provided for a pass-through of tax increment revenues directly to the affected taxing agency, and, therefore, are commonly referred to as “pass-through agreements.”

The Agency has entered into agreements to share “Property Tax Revenues” (which includes tax increment attributable to the general (one percent) tax rate, legislative supplements to or substitutes for property taxes, override rates levied as of the date of the Pass-Through Agreement and any future increases in

the general (one percent) tax rate) with the County of San Diego, the San Diego Unified School District, the San Diego County Office of Education and the San Diego Community College District. Each of the agreements provides for payment by the Agency to each taxing entity, beginning in fiscal year 1992-93 and continuing until the Agency's right to receive Property Tax Revenues is terminated or expires, an amount equal to a fixed percentage of tax increment revenues as set forth in the applicable agreement. These agreements are collectively referred to as the "Pass-Through Agreements." The payments under each of the Pass-Through Agreements are made from the non-housing portion of Tax Revenues and not from amounts constituting Housing Tax Revenues. See "Centre City Project - Projected Tax Revenues" herein and Appendix A - "Report of the Fiscal Consultant" attached hereto.

Statutory Pass-Through Payments

Pursuant to subsequent amendments to the Redevelopment Law effected by AB 1290, the provisions of the Redevelopment Law that enabled pass-through agreements were repealed. AB 1290 also added Section 33607.7 to the Health and Safety Code, which provides that each project area with amended financial time limits is required to make statutory payments (the "Statutory Pass-through Payments") to affected taxing entities that do not have existing tax sharing agreements. See Appendix A - "Report of the Fiscal Consultant" attached hereto.

Statutory Pass-through Payments to affected taxing entities that do not have existing tax sharing agreements are required under Section 33607.7 of the Redevelopment Law if a redevelopment plan amendment eliminates the time limit on the establishing of loans, advances and indebtedness. This requirement applies for any redevelopment plan adopted prior to January 1, 1994. Statutory Pass-through Payments are calculated based on the increase in assessed valuation after the year in which the debt incurrence limitation would otherwise have become effective, and, unless subordinated by the entities receiving the tax sharing payments, is senior to the obligations of a redevelopment agency with respect to bonded indebtedness.

As a result of the elimination of time limits for the incurrence of debt, the Marina, Columbia and Gaslamp Quarter Sub Area's Statutory Pass-through Payments commenced in Fiscal Year 2004-05 and the Statutory Pass-through Payments with respect to the Expansion Sub Area will commence in 2012-13. The Agency has not obtained the subordination of such Statutory Pass-through Payments to the Agency's obligations with respect to the Series 2008A Housing Bonds. See "Centre City Project - Projected Tax Revenues" and Appendix A - "Report of the Fiscal Consultant" attached hereto.

Section 33676 Resolutions

Pursuant to Section 33676 of the Redevelopment Law as in existence at the time of the adoption of the Plan, the Metropolitan Water District of Southern California ("MWD"), the City and the San Diego County Water Authority have elected to be allocated a portion of tax revenues generated by the Expansion Sub Area. The payments made to these entities are attributable to increases, if any, in their override tax rates, and/or increases in the assessed value of taxable property in the Expansion Sub Area attributable to annual inflationary growth of up to two percent allowed by Article XIII A of the California Constitution. The County computes and allocates the amounts due pursuant to Section 33676 Resolutions. The County's procedures provides that the base year value for the Project is increased each year by the inflation factor declared by the State. The original base year value is then deducted from the amount so determined and the resulting value is multiplied by the one-percent tax rate. Entities having adopted 33676 Resolutions are allocated their proportionate share of the taxes so determined. Total payments to be made pursuant to the Project Area's Section 33676 Resolutions for the 2007-08 Fiscal Year total \$806,017. The payments made pursuant to Section 33676 Resolutions are considered to be made from property tax, not from tax increment. As a result, the Project Area revenues diverted to the entities pursuant to the Section 33676 Resolutions are not used in the computation of the Housing Tax Revenues or the determination of tax increment remaining under any applicable limitations on the Agency's receipt of Tax Revenues from the Project Area. See "Centre City Project - Projected Tax Revenues" and Appendix A - "Report of the Fiscal Consultant" attached hereto.

CENTRE CITY PROJECT

General

On December 29, 1976, the City Council of the City adopted Ordinance No. 11977 (New Series) which approved and adopted the Redevelopment Plan for the Marina Project (the "Marina Plan"). Between 1980 and 1988, the City Council adopted five ordinances approving five amendments to the Marina Plan. On December 29, 1976, the City Council adopted Ordinance No. 11976 (New Series) which approved and adopted the Redevelopment Plan for the Columbia Project (the "Columbia Plan"). The City Council adopted six ordinances approving six amendments to the Columbia Plan between 1980 and 1989. On July 26, 1982, the City Council adopted Ordinance No. 15781 (New Series) which approved and adopted the Redevelopment Plan for the Gaslamp Quarter Project (the "Gaslamp Quarter Plan"). In 1985, the City Council adopted an ordinance approving an amendment to the Gaslamp Quarter Plan. See Appendix A – "Report of the Fiscal Consultant" attached hereto.

The Centre City Project was formally created with the adoption of the Plan on May 11, 1992, by City Ordinance No. O-17767 (New Series) which merged the former Marina Redevelopment Project, the former Columbia Redevelopment Project and the former Gaslamp Quarter Redevelopment Project, and added approximately 1,000 acres of additional property in the downtown area of the City (the "Expansion Sub Area") (each such area is sometimes referred to herein as a "Sub Area"). The Plan was subsequently modified by Ordinance No. O-18119 (New Series), adopted on November 28, 1994, by Ordinance No. O -18145 (New Series), adopted on January 9, 1995, by Ordinance No. O -18708 (New Series) and Ordinance No. O -18710 (New Series), both adopted on November 8, 1999, by Ordinance No. O -18720 (New Series), adopted on November 22, 1999, by Ordinance No. O -18843 (New Series), adopted on September 12, 2000, by Ordinance No. O -19132, adopted on December 9, 2002, by Ordinance No. O -19270 and Ordinance No. O -19271, both adopted on April 12, 2004, by Ordinance No. O-19471, adopted on April 3, 2006, by Ordinance No. O -19479, adopted on April 7, 2006 and by Ordinance No. O -19663, adopted on September 4, 2007 in accordance with the Redevelopment Law.

The purpose of the Plan with respect to the Centre City Project is to eliminate the conditions of blight existing in the Centre City Project. The Plan provides the Agency with powers, duties and obligations to implement and further the program generally formulated in the Plan for the redevelopment, rehabilitation and revitalization of the Centre City Project. The Centre City Project contains approximately 1,400 acres. With the exception of the area within the Horton Plaza Project (an area of approximately 41 acres) and an area of approximately eight acres of commercial development, the Centre City Project encompasses all of the downtown area of the City. Pursuant to the provisions of the California Constitution and the Redevelopment Law, Housing Tax Revenues may be used, under certain circumstances, to finance or refinance publicly owned improvements outside of the Centre City Project. The Agency has made findings to use Housing Tax Revenues to finance projects outside of the Project Area.

Historical and Current Development

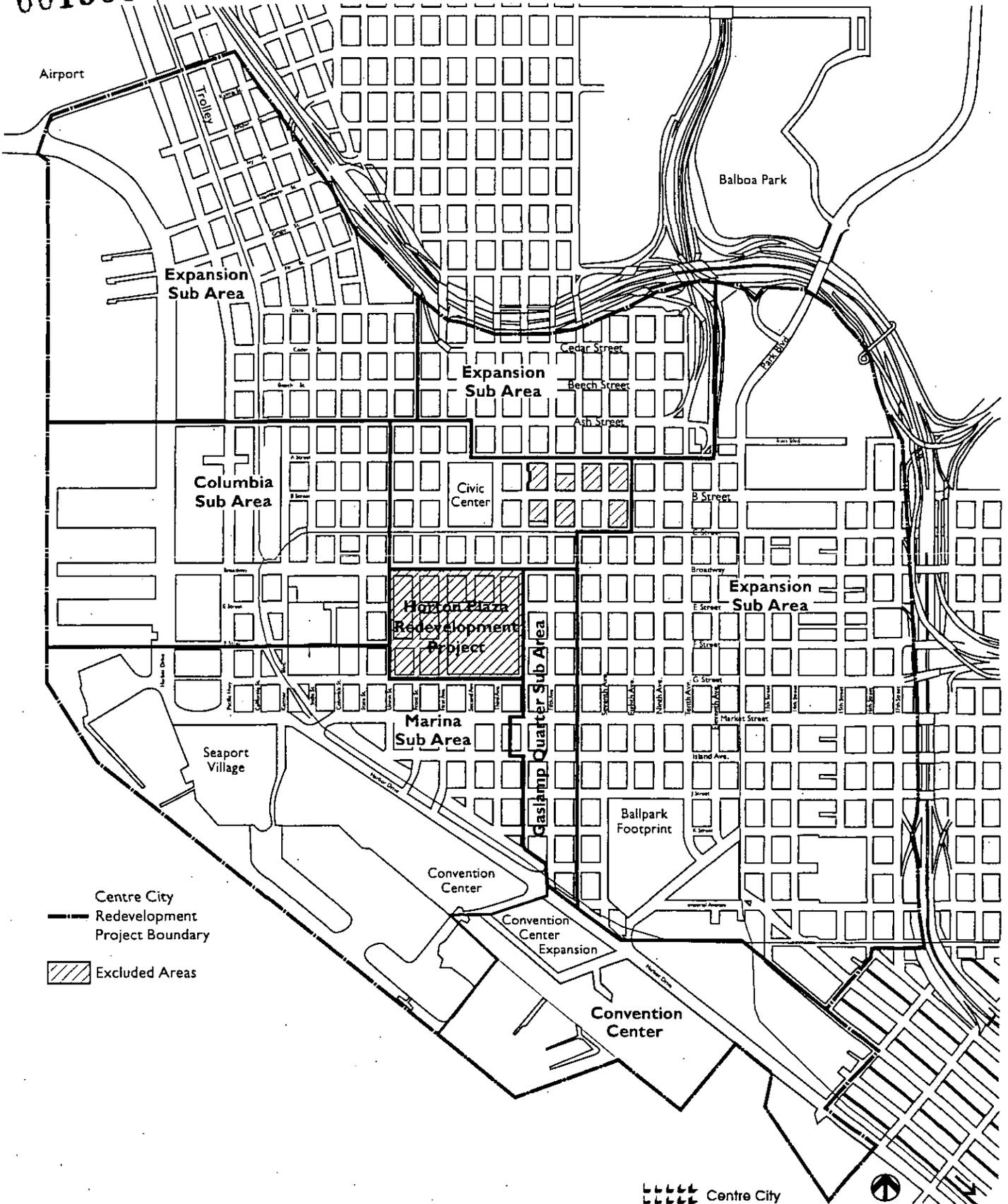
In the 1970s and early 1980s, the City created four downtown redevelopment projects covering 325 acres from the central business district of the City to the waterfront. CCDC was formed in 1975 to be the master developer for these redevelopment projects. When CCDC began to revitalize the urban core, downtown's total residential base was estimated at 4,000 residents, about half living in the redevelopment project areas of the City. There were approximately 10,000 residents in the downtown area in 1992 when those redevelopment project areas were merged and expanded to include the remainder of downtown. Eight neighborhoods comprise the downtown community, which includes approximately 15,000 dwelling units with a range from those recently built through some crafted via rehabilitation/adaptive reuse of older buildings (some dating back to the late 1800s). Currently, approximately 30,000 people live in the downtown area of the City. Based on the Community Plan adopted in February, 2006, it is projected that more than 90,000 people will live in the downtown area of the City by the year 2030.

The factors that enhance the market for downtown housing include climate and waterfront location. Downtown is the center of government, the financial and legal communities, the justice system, culture, and the performing arts in the City. The downtown area is the headquarters of the region's visitor and tourism industry, and the hub of mass transit and rail, air, and sea transportation. It has traditional schools (day-care through community college) in addition to private and alternative schools, museums and galleries and the region's central library. The Gaslamp Quarter, Horton Plaza and Seaport Village comprise one of the region's premier festival retail centers. The downtown area also has many recreational facilities and more than a half-dozen parks.

The updated Community Plan was adopted in February 2006, after a revision and public comment process and was amended on July 31, 2007 and October 30, 2007. The Community Plan's goals and policies will guide downtown's physical transformation predicated on the vision for a mixed-use, mixed-income environment, unique urban neighborhoods, engaging civic realm and open spaces, and the enjoyment of San Diego's favorable climate.

In April 2006, the organizations "Save Our Forest and Ranchlands" ("SOFAR") and "Save Our Heritage Organisation" ("SOHO") each filed suits against the City, CCDC, the Agency and certain other parties in the Superior Court of California, County of San Diego that challenged the updated Community Plan alleging that, among other things, the Environmental Impact Report ("EIR") was inadequate and failed to comply with the California Environmental Quality Act ("CEQA") and CEQA Guidelines. Both complaints sought to invalidate the approval of the Community Plan and the certification of the EIR by the City Council and the Agency. In May 2007, SOFAR, the City, the Agency, CCDC entered into a settlement agreement and SOFAR dismissed its suit. Settlement discussions with SOHO are ongoing and a settlement is expected to be reached by spring 2008. In the event that the SOHO suit is not settled, however, the City and the Agency cannot predict the outcome of this lawsuit or its impact on the issuance of new development permits and, accordingly, development under the updated Community Plan. The receipt of Pledged Housing Tax Revenues sufficient to pay debt service on the Series 2008A Housing Bonds is not dependent on new development. See "Security for the Series 2008A Housing Bonds" herein. The tax increment revenues projections included in the Report of the Fiscal Consultant attached hereto as Appendix A do not assume new development. See Appendix A - "Report of the Fiscal Consultant" attached hereto.

001308



- Centre City
- Redevelopment Project Boundary
- ▨ Excluded Areas



 Centre City Development Corporation

 0 300 600 900 1200 ft.

CENTRE CITY REDEVELOPMENT PROJECT

The Sub Areas and Districts in the Centre City Project

The following sections briefly describe the Sub Areas and the districts within the Centre City Project.

Marina Sub Area. Formerly composed of warehouses and vacant lots, this neighborhood now contains high-rise and mid-rise condominiums and apartments, townhouses, lofts and single room occupancy units in a variety of styles, sizes and prices. The area stretches between the waterfront, Horton Plaza, Gaslamp and "F" Street to the north. Attractions of this neighborhood include the Martin Luther King, Jr. Promenade; the Children's Park with its urban forest, reflecting pond and fountain; historic Pantoja Park, the Children's Museum; a portion of the Asian Pacific Thematic Historic District, two trolley stops, the Convention Center and related hotels.

Numerous residential buildings have been constructed in the past ten to fifteen years in this neighborhood, and more are either planned or under construction. Currently, seven projects within the Marina neighborhood are in the planning stages. This includes the development of the new Children's Museum and Park, which is currently under construction. The United States Navy has selected a developer to implement a 1992 development agreement between the City of San Diego and the Navy for the four blocks bounded by Harbor Drive, Pacific Highway and Broadway. The 14.72 gross-acre parcel, located in the Marina neighborhood as well as the Columbia neighborhood described below, is to accommodate government administrative space with parking and may include 350,000 square feet for a Navy headquarter building, 1.27 million square feet of private office space, 1,500 hotel rooms, 160,000 square feet of retail space, 40,000 square feet of public attractions, and 1.9 acres of open space.

Columbia Sub Area. Columbia encompasses the area between the waterfront and Union, Ash, and F streets. Broadway, downtown's main street, begins at the Broadway Pier and runs through the center of this district. The surrounding neighborhood is largely made up of commercial development, with residential development opportunities interspersed throughout. Waterfront uses include the Broadway Pier, the expanding Cruise Ship Terminal, ferry landing, hotels and parking lots along Harbor Drive. The waterfront includes a major segment of the North Embarcadero Visionary Plan. Adopted in 1997, the North Embarcadero Visionary Plan will transform downtown San Diego's northern waterfront into a green esplanade with open and covered walkways, plaza spaces and art and memorial areas. View corridors to the bay from east to west streets will ensure that the green spine of the North Embarcadero is visually linked to adjacent neighborhoods. The Joint Powers Authority, consisting of the Agency acting through CCDC, the San Diego Unified Port District and the City, is currently directing the design and engineering of Phase I of the project. Construction documentation for Phase I of the project is current underway.

Currently, there are three residential projects consisting of 585 units under construction. In addition there are nine other projects in the planning stages, including federal, State, County office buildings, and one private office building. The San Diego Unified Port District is currently in negotiations with a private developer to develop hotels, parking, and to expand the capabilities of the B Street Pier to better accommodate San Diego's growing cruise-ship industry.

Gaslamp Quarter Sub Area. This 16.5-block neighborhood is listed on the National Register of Historic Places, and the 94 structures identified as historically or architecturally significant now contain more than 100 restaurants and nightclubs, movie theaters, stores, offices, galleries, homes and live and work lofts. An urban park at the trolley station across from the Convention Center features a unique fountain that attracts people of all ages. A 420-suite Hard Rock condo-hotel recently opened in December, 2007, a 239-room Marriott Residence Inn is currently under construction and a 344-room hotel is in the planning stage.

Little Italy District. Located in the Expansion Sub Area, Little Italy is a lively urban neighborhood with single-family homes, condominiums and apartments. A revitalized India Street is filled with restaurants, small cafés, galleries, specialty shops and public art. Amici Park adjoins Washington Elementary School, just blocks from a wide variety of new housing. Within the Little Italy neighborhood, fifteen projects are in the

planning or development stage include two self-storage facilities, seven residential projects containing approximately 890 units, small scale office developments containing approximately 49,000 square feet, a parking facility with 700 parking spaces and a waterfront park. In addition, a new fire station is being developed by the Agency.

Core District. Located in the Expansion Sub Area, the Core is the heart of San Diego's central business, government and office district. Existing structures in this neighborhood include the Westgate and U.S. Grant Hotels, the City Administration Building Community Concourse and the Civic Theatre, the Central Jail, the San Diego Trolley stops along C Street, and the high-rise offices of the B Street "Financial Corridor." New housing opportunities are growing due to adaptive reuse of former commercial and office buildings. Three projects are in the planning or development stage and will add 185 condo-hotel units, 198,000 square feet of office and retail space, 783 residential units and will contribute to the revitalization of the C Street Corridor.

Cortez Hill District. Located in the Expansion Sub Area, Cortez Hill is one of San Diego's oldest residential neighborhoods, named after the famous El Cortez Hotel, which has been restored and converted into condominiums. Views from the area include Balboa Park, San Diego Bay, the Pacific Ocean, the Ballpark, and the urban scene below. Victorian-style homes are interlaced in the area, along with newer condominiums and apartments. Within Cortez Hill, ten projects are in the planning stages and may contain approximately 83,000 square feet of retail and commercial space, 1,100 residential units and 570 hotel rooms. The Agency recently completed a linear park that reclaimed excess freeway right-of-way along Date Street and Tenth Avenue, transforming it into a park and trail system that will encourage people's awareness and appreciation for wildlife resources within urban San Diego.

East Village District. East Village is downtown's largest neighborhood. Located in the Expansion Sub Area, the East Village is expected to experience the most growth in future years. Artists' lofts, studios, galleries and shops are scattered throughout the East Village, and former warehouses—have been transformed into residential units, offices and retail space. The area also contains San Diego City College, the New School of Architecture and two high schools. Significant change is underway along Park Boulevard, linking San Diego Bay and Balboa Park. PETCO Park, home of the San Diego Padres, drew approximately 2.8 million fans in 2007.

The economic momentum generated by the opening of PETCO Park has promoted development and is expected to continue the revitalization of this area of downtown. Twenty-eight projects are in the planning stages and six are underway in the East Village. The planning activity includes approximately 130,000 square feet of office, over 250,000 square feet of retail, 2,600 hotel rooms and over 2,500 residential units. Currently under construction are 1,200 hotel rooms, 77,000 square feet of commercial space, 1,462 residential units consisting of condominiums, and market rate and restricted rental apartments. Fulfilling a California Public Utilities Commission requirement, the construction of a pedestrian bridge is currently being advertised by the Agency and once completed will provide a safe crossing over Harbor Drive and existing train and trolley tracks, facilitating the completion of the vehicular intersection at Harbor Drive and Park Boulevard. The bridge will complete a 100-year old vision of a Park-to-Bay Link, connecting Balboa Park and the San Diego bay.

The Horton Plaza Project

A redevelopment plan for the Horton Plaza Project became effective in 1972 and was subsequently modified several times. The Horton Plaza Project consists of 15 blocks in the downtown area of the City bounded by G Street, Union Street, Fourth Avenue and Broadway, but is not a part of the Centre City Project. The Agency has delegated responsibility for implementing the Horton Plaza Project to the CCDC. Redevelopment in the Horton Plaza Project has been substantially completed. No proceeds of the Series 2008A Housing Bonds will be used to finance the Horton Plaza Project.

Outstanding Debt

The Agency has previously issued Tax Allocation Bonds that are secured by Tax Revenues, other than Housing Tax Revenues from the Centre City Project. In addition, the Agency has previously issued Housing Bonds secured by Housing Tax Revenues, which generally consists of the 20 percent of all Tax Revenues required to be deposited in the Housing Fund of the Agency. The Housing Bonds are payable from Tax Revenues which are required to be deposited into the Housing Fund pursuant to the Redevelopment Law. Under certain circumstances, non-housing Tax Revenues may be available for payment of debt service on the Housing Bonds. However, Housing Tax Revenues are not pledged to the payment of debt service on any Tax Allocation Bonds. Table 2 sets forth the outstanding Tax Allocation Bonds and Housing Bonds of the Agency.

Table 2
Redevelopment Agency of the City of San Diego
Centre City Project
Outstanding Bonded Indebtedness of Centre City
Redevelopment Project Area Bonds⁽¹⁾
(As of March 31, 2008)

<u>Series</u>	<u>Housing Bonds Outstanding Principal Amount</u>	<u>Tax Allocation Bonds Outstanding Principal Amount</u>
<i>Housing Bonds</i>		
Housing Bonds, Series 2004C (Taxable)	\$ 25,790,000	
Housing Bonds, Series 2004D (Taxable)	8,275,000	
Housing Bonds, Series 2006B (Taxable)	<u>33,520,000</u>	
Subtotal:	<u>\$ 67,585,000</u>	
<i>Tax Allocation Bonds</i>		
<i>Senior Bonds</i>		
Series 1999A		\$ 25,245,000
Series 1999B (Taxable)		<u>11,360,000</u>
Subtotal:		<u>\$ 36,605,000</u>
<i>Subordinate Bonds</i>		
Series 1999C		\$ 11,945,000
Series 2000A		4,995,000
Series 2000B		18,705,000
Series 2001A		61,811,756 ⁽²⁾
Series 2003A		15,320,000
Series 2004A		95,575,000
Series 2004B (Taxable)		4,830,000
Series 2006A		<u>75,725,000</u>
Subtotal:		<u>\$288,906,756</u>
Total Housing Bonds and Tax Allocation Bonds:		<u>\$393,096,756</u>

⁽¹⁾ Excludes parking revenue bonds of the Agency outstanding in the aggregate principal amount of \$28,390,000 as of March 31, 2008.

⁽²⁾ Includes accreted value through March 31, 2008.

In addition to the bonded indebtedness set forth in Table 2, the Centre City Project has certain outstanding obligations that are payable from tax increment (in addition to other sources) on a basis

subordinate to the Housing Bonds, including the Series 2008A Housing Bonds, and the Tax Allocation Bonds, including obligations relating to parking revenue bonds of the Agency, tax sharing agreements with San Diego Community College District, San Diego County Office of Education, San Diego Unified School District and the County, and developer agreements. The parking revenue bonds of the Agency, of which \$28,390,000 is outstanding as of March 31, 2008, are included under the \$1,073,000,000 limit the Agency has established under the Redevelopment Law for bonded indebtedness for the Centre City Project. In addition, the Agency has entered into long-term loans with the City that are payable from tax increment on a basis subordinate to the Series 2008A Housing Bonds, the Parity Bonds and the Tax Allocation Bonds. In no event will any accelerated payment of such long-term subordinate loans adversely affect the payment of debt service on the Series 2008A Housing Bonds.

In 2004, the Agency issued its Centre City Redevelopment Project Subordinate Tax Allocation Bonds, Series 2004A and Centre City Redevelopment Project Subordinate Tax Allocation Bonds, Series 2004B (Taxable) (collectively, the "Series 2004 Bonds"), for which Series 2004 B Bonds there was established a common reserve account. Such reserve account was initially funded in part in the amount of \$6,450,000 with proceeds of the Series 2004 Bonds and in part in the amount of \$2,451,767.50 by a surety policy issued by XL Capital Assurance Inc. ("XL Capital"). The surety policy issued by XL Capital that was credited to the reserve account for the Series 2004 Bonds matures on _____. At the time of issuance of the Series 2004 Bonds, XL Capital received ratings of "Aaa", "AAA" and "AAA" from Moody's Investors Service ("Moody's"), Standard & Poor's ("S&P") and Fitch, Inc. ("Fitch" and, together with Moody's and S&P, the "Rating Agencies"), respectively, which were the rating agencies that assigned ratings to the Series 2004 Bonds. XL Capital was recently downgraded to "A3", "A-" and "A" by Moody's, S&P and Fitch, respectively. CCDC, on behalf of the Agency, may make deposits into the reserve fund for the Series 2004 Bonds to replace amounts credited thereto from the surety policy issued by XL Capital in accordance with the provisions of the Indenture for the Series 2004 Bonds. Any such deposits will be derived from the non-housing portion of Tax Revenues, and not from amounts constituting Housing Tax Revenues which secure the Series 2008A Housing Bonds.

Ten Largest Assesseees

Table 3 sets forth the ten largest assesseees in the Centre City Project. The cumulative taxable value of the ten largest assesseees is \$2,533,345,432, which represents approximately 21.14% of the total taxable value of the Centre City Project and 23.44% of the incremental value of the Centre City Project. The taxable value of the largest assessee, Irvine Company LLC, the owner of an office and parking facility, represents approximately 3.80% of the total taxable value in the Centre City Project.

The largest assesseees in the Centre City Project change from time to time. All Sub Areas will continue to exist through the scheduled maturity of the Series 2008A Housing Bonds. See "Centre City Project – Estimated Tax Revenues, Debt Service and Coverage," Table 8 herein. See "Risk Factors – Tax Increment Estimates" herein.

001313

Table 3
Redevelopment Agency of the City of San Diego
Centre City Project
Ten Largest Assesseees
Fiscal Year 2007-08

<u>Rank</u>	<u>Major Assessee</u>	<u>No. of Parcels</u>	<u>Use</u>	<u>Sub Area</u>	<u>2007-08 Value</u>	<u>% of Project Area Value</u>
1.	Irvine Company LLC ⁽¹⁾	3	Office/Parking	Columbia	\$ 459,000,000	3.80%
2.	Manchester Resorts	4	Hyatt Hotel	Marina	355,162,560	2.94
3.	Pacific Gateway	4	Marriott Hotel	Marina	293,679,512	2.43
4.	Bosa Development CA	271	Condominiums	Multiple Sub Areas ⁽²⁾	288,936,608	2.39
5.	San Diego Ballpark Funding ⁽³⁾	4	Ballpark	Expansion	235,730,206	1.95
6.	Manchester Pacific Gateway	1	Leasehold Interest ⁽⁴⁾	Columbia	230,000,000	1.90
7.	One Park Boulevard LLC	1	Hilton Hotel	Expansion	219,060,000	1.81
8.	PGREF II FNBC Limited Partnership ⁽⁵⁾	1	Office	Columbia	171,360,000	1.42
9.	Solar Turbine, Inc.	2	Industrial	Expansion	160,616,142	1.33
10.	San Diego Ballpark Hotel Co	8	Omni Hotel/Parking Garage	Expansion	<u>139,800,404</u>	<u>1.16</u>
	Total				\$2,553,345,432	21.14%
	Percentage of major assesseees to Project Area incremental value:					23.44%

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

* Figures may not add to total due to independent rounding.

(1) Formerly known as One America Plaza and 501 West Broadway.

(2) Assessee has condominium projects in the Columbia, Marina and Expansion Sub Areas.

(3) Private sector interests in the Petco Park Baseball Stadium.

(4) 99-year lease of federally owned naval facility.

(5) Formerly known as DLFNBC.

Centre City Project Taxable Value

The Centre City Project's base year assessed valuation is approximately \$1.18 billion. The total incremental value for Fiscal Year 2007-08 is approximately \$10.895 billion. Table 4 provides a summary of Centre City Project Taxable Values for Fiscal Years 2003-04 through 2007-08.

Table 4
Redevelopment Agency of the City of San Diego
Centre City Project
Taxable Value
Fiscal Years 2003-04 through 2007-08
(In Thousands)

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Secured:					
Land	\$1,697,068	\$2,057,904	\$2,610,405	\$3,292,261	\$ 4,119,338
Improvement	3,085,625	3,906,152	5,128,269	6,272,952	7,663,735
Personal Property	<u>94,056</u>	<u>112,079</u>	<u>119,321</u>	<u>111,358</u>	<u>135,989</u>
Gross Secured	\$4,876,749	\$6,076,135	\$7,857,995	\$9,676,572	\$11,919,062
Less: Exemptions	<u>133,265</u>	<u>159,672</u>	<u>199,892</u>	<u>209,723</u>	<u>232,975</u>
Total Secured	\$4,743,484	\$5,916,462	\$7,658,103	\$9,466,849	\$11,686,087
Unsecured:					
Land	—	—	—	—	—
Improvement	\$ 59,313	\$ 64,386	\$ 79,145	\$ 135,478	\$ 105,780
Personal Property	<u>245,175</u>	<u>205,548</u>	<u>245,107</u>	<u>354,337</u>	<u>302,844</u>
Gross Unsecured	\$ 304,488	\$ 269,934	\$ 324,252	\$ 489,816	\$ 408,623
Less: Exemptions	<u>12,749</u>	<u>13,980</u>	<u>14,964</u>	<u>16,114</u>	<u>19,203</u>
Total Unsecured	\$ 291,739	\$ 255,954	\$ 309,287	\$ 473,702	\$ 389,420
TOTAL PROJECT VALUE	<u>\$5,035,223</u>	<u>\$6,172,416</u>	<u>\$7,967,390</u>	<u>\$9,940,551</u>	<u>\$12,075,507</u>
Percentage Increase	24.3%	22.6%	29.1%	24.8%	21.5%
BASE YEAR VALUE	\$1,180,908	\$1,180,908	\$1,180,908	\$1,180,908	\$ 1,180,271
INCREMENTAL VALUE	\$3,854,315	\$4,991,508	\$6,786,482	\$8,759,643	\$10,895,237

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

Assessment Appeals

Property owners in the City can appeal the assessment of their property to the County Assessment Appeals Board. Property taxable values may be reduced as a result of a successful appeal of the taxable value of property determined by the County Assessor. An appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant property owner. See “Risk Factors – Assessment Appeals” herein. The Fiscal Consultant has analyzed 217 assessment appeals pending hearing and 76 recently resolved appeals in the Centre City Project based on County data as of February 29 2008, which covers assessment appeals activity for the last four years. See Appendix A – “Report of the Fiscal Consultant” attached hereto.

County Allocation Adjustments and Percentage Collections

Allocations of Tax Revenues are subject to various adjustments by the County. The following Table 5 sets forth roll corrections, refunds and adjustments and delinquencies and penalties for the Centre City Project. See “– Projected Tax Revenues” herein and Appendix A – “Report of the Fiscal Consultant – Part II” attached hereto.

Table 5
Redevelopment Agency of the City of San Diego
Centre City Project
County Allocation Adjustments

<u>Fiscal Year</u>	<u>Roll Corrections</u>	<u>Refunds/ Adjustments</u>	<u>Delinquencies/ Penalties</u>	<u>Total Adjustments</u>
2006-07	\$(22,797)	\$(1,205,328)	\$1,319,544	\$91,419
2005-06	6,349	(1,203,423)	869,990	(327,084)
2004-05	(79,161)	(680,546)	567,081	(192,626)
2003-04	(45,981)	(632,150)	502,779	(175,352)

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

The following Table 6 sets forth the percentage collection of Tax Revenues for the Centre City Project, taking into account the adjustments shown above and the County’s apportionment of County-wide delinquencies.

Table 6
Redevelopment Agency of the City of San Diego
Centre City Project
Percentage Collections

<u>Fiscal Year</u>	<u>Adjusted Collections</u>
2006-07	96.51%
2005-06	96.57
2004-05	96.90
2003-04	96.94

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

Projected Housing Tax Revenues

The following Table 7 sets forth projected Housing Tax Revenues for the Centre City Project for the Fiscal Years 2007-08 through 2021-22. The estimates of projected Housing Tax Revenues are based on, among other things, the assumption that the Agency will continue to deposit 20 percent of Project revenues after deducting payments, if any, due pursuant to Section 33676 Resolutions. The projection assumes no additional development in the Project Area and no adjustments to revenue as a result of roll corrections, refunds and adjustments, and prior year delinquencies, penalties or interest. While the projections are based on assumptions which are believed by the Fiscal Consultant to be reasonable, there can be no assurance that such projections will be realized. The material assumptions with respect to the projected Tax Revenues are set forth in the footnotes to Table 7. The Series 2008A Housing Bonds and Parity Bonds are secured by the portion of Housing Tax Revenues which is deposited into the Housing Special Fund and constitutes Pledged Housing Tax Revenues. No other portion of Tax Revenues are pledged for payment of debt service on the Series 2008A Housing Bonds and Parity Bonds. See “Risk Factors” herein and Appendix A – “Report of the Fiscal Consultant” attached hereto.

Table 7
Redevelopment Agency of the City of San Diego
Centre City Project
Projected Tax Revenues
Fiscal Years 2007-08 through 2020-21
(In Thousands)

001315

<u>Fiscal Year</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Real Property ⁽¹⁾	\$11,655,878	\$11,843,491	\$11,793,966	\$12,029,845	\$12,270,442	\$12,515,851	\$12,766,168	\$13,021,491	\$13,281,921	\$13,547,559	\$13,818,511	\$14,094,881	\$14,376,778	\$14,664,314
Proposed Park Acquisition	(8,920)	(11,245)	-	-	-	-	-	-	-	-	-	-	-	-
Assumed Appeals Impact	(35,693)	(269,535)	-	-	-	-	-	-	-	-	-	-	-	-
Total Real Property	\$11,611,266	\$11,562,711	\$11,793,966	\$12,029,845	\$12,270,442	\$12,515,851	\$12,766,168	\$13,021,491	\$13,281,921	\$13,547,559	\$13,818,511	\$14,094,881	\$14,376,778	\$14,664,314
Total Other Property ⁽²⁾	419,629	419,629	419,629	419,629	419,629	419,629	419,629	419,629	419,629	419,629	419,629	419,629	419,629	419,629
Total Value	\$12,030,895	\$11,982,341	\$12,213,595	\$12,449,474	\$12,690,071	\$12,935,480	\$13,185,797	\$13,441,121	\$13,701,550	\$13,967,189	\$14,238,140	\$14,514,510	\$14,796,408	\$15,083,943
Incremental Value Over Base of \$1,180,908	10,850,625	10,802,070	11,033,325	11,269,204	11,509,801	11,755,210	12,005,527	12,260,850	12,521,280	12,786,918	13,057,869	13,334,240	13,616,137	13,903,673
Gross Revenue ⁽³⁾	108,506	108,021	110,333	112,692	115,098	117,552	120,055	122,608	125,213	127,869	130,579	133,342	136,161	139,037
Unitary Revenue ⁽⁴⁾	399	399	399	399	399	399	399	399	399	399	399	399	399	399
Adjustments to Gross Revenue 33676 Resolutions	(806)	(868)	(932)	(997)	(1,063)	(1,131)	(1,200)	(1,270)	(1,342)	(1,415)	(1,490)	(1,566)	(1,643)	(1,723)
Property Tax Administrative Fee ⁽⁵⁾	(706)	(1,084)	(1,107)	(1,131)	(1,155)	(1,180)	(1,205)	(1,230)	(1,256)	(1,283)	(1,310)	(1,337)	(1,366)	(1,394)
Statutory Pass-through Payment ⁽⁶⁾	(1,232)	(1,197)	(1,244)	(1,292)	(1,340)	(1,390)	(1,547)	(1,698)	(1,851)	(2,007)	(2,166)	(2,329)	(2,494)	(2,663)
Net Tax Revenues	106,160	105,270	107,449	109,671	111,938	114,250	116,502	118,809	121,163	123,563	126,012	128,509	131,057	133,655
Housing Tax Revenue ⁽⁷⁾	21,478	21,293	21,738	22,193	22,656	23,128	23,610	24,101	24,603	25,114	25,636	26,168	26,710	27,264

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

Note: For purposes of this Table 7, the Fiscal Consultant has not included any new development in the Centre City Project.

- (1) Real property, which includes secured and unsecured land and improvement value in the Centre City Project, is assumed to increase by 2.0 percent annually.
- (2) Other property, which includes secured and unsecured personal property value in the Centre City Project, is assumed to remain constant at the Fiscal Year 2007-08 amount.
- (3) Assumes a 1.00% tax rate.
- (4) The 2007-08 amount as estimated by the San Diego County Auditor and Controller’s Office. Unitary revenue in future years are assumed to remain at the Fiscal Year 2007-08 amount.
- (5) The 2007-08 amount is the actual fee paid in Fiscal Year 2006–2007. Property Tax Administrative Fees in future years are estimated at 1.00% of gross revenue.
- (6) Statutory Pass-through Payments began in Fiscal Year 2004-05 for the Columbia, Gaslamp and Marina Sub Areas. Statutory Pass-through Payments for the Expansion Sub Area payments are projected to begin in Fiscal Year 2012-13.
- (7) The Fiscal Consultant has assumed that the Agency will continue to deposit in its Housing Fund a full 20% of revenue from the Centre City Project after deducting payments, if any, due pursuant to the Section 33676 resolutions and the County’s administrative charges. See “Tax Allocation Financing and Limitations on Tax Revenues – Section 33676 Resolutions” herein.

Part of the Community Plan involves the creation of additional park areas in the downtown area of the City. The creation of these park sites will consist of the acquisition of properties owned by private parties, which currently contribute to the overall assessed value of the Centre City Project. Once converted to public ownership the properties will have no taxable value. To portray the possible effect of the park acquisitions, the projection of tax increment set forth in the Report of the Fiscal Consultant includes deductions of value in the 2007-08 and 2008-09 fiscal years. The deductions are based on the remaining 2007-08 assessed value of two potential park sites – East Village Green and St. Joseph’s Park; a portion of one site has been acquired as of the date of this Official Statement. The 2007-08 values are escalated at 2.0% per annum until the park sites are removed from the tax roll. The adoption of the Community Plan, the selection of these park sites, and the timing of their acquisition are all the subject of continuing public review. See Appendix A – “Report of the Fiscal Consultant” attached hereto.

Estimated Tax Revenues, Debt Service and Coverage

Table 8 sets forth the estimated tax revenues, debt service and estimated coverage on the Series 2008A Housing Bonds. The Fiscal Consultant’s projections of net Housing Tax Revenues as summarized in Table 7 and as set forth in Appendix A hereto are realized through Fiscal Year 2020-21 and escalated at 2% per year thereafter. Debt service is based on an assumed maturity schedule and interest rates for the Series 2008A Housing Bonds as set forth on the inside cover page hereof. The estimates in Table 8 are based on the assumption that the Agency will not issue additional Housing Bonds for the Centre City Project during the years indicated. However, the Agency may incur additional debt on parity with the Housing Bonds as Housing Tax Revenues increase. See “Centre City Project – Outstanding Debt” herein and Appendix C – “Summary of Principal Legal Documents” attached hereto. Depending on the rate of increase in the assessed value of property in the Centre City Project, the Agency may reach the Tax Increment Limit for the Centre City Project while the Series 2008A Housing Bonds are outstanding. The Agency covenants in the Trust Indenture, among other things, with the Owners of all of the Series 2008A Housing Bonds at any time Outstanding that it will not enter into any obligation or make any expenditure payable from taxes allocated to the Agency under the Redevelopment Law the payments of which, together with payments theretofore made or to be made with respect to other obligations (including, but not limited to, the Series 2008A Housing Bonds) previously entered into by the Agency, would exceed the then-effective limit on the amount of taxes which can be allocated to the Agency pursuant to Section 33333.4 of the Redevelopment Law and the Plan. See “Security for the Series 2008A Housing Bonds – Pledge and Allocation of Tax Revenues for the Series 2008A Housing Bonds” and “Tax Allocation Financing and Limitations on Tax Revenues – Plan Limitations” herein.

Table 8
Redevelopment Agency of the City of San Diego
Centre City Project
Debt Service and Coverage
(Bond Year Ending September 2)

Bond Year⁽¹⁾	Housing Tax Revenues⁽²⁾	Series 2004C Bonds Debt Service⁽³⁾	Series 2004D Bonds Debt Service⁽³⁾	Series 2006B Bonds Debt Service⁽³⁾	Housing Bonds Debt Service^{(3)*}	Combined Debt Service^{(3)*}	Total Coverage⁽³⁾⁽⁴⁾
2008	\$ 21,478,000.00	\$ 2,244,794.00	\$ 728,128.00	\$ 2,659,364.00	\$ 1,349,766.76	\$ 6,982,052.76	3.08x
2009	21,293,000.00	2,249,669.00	728,551.50	2,658,140.00	7,950,300.00	13,586,660.50	1.57
2010	21,738,000.00	2,245,699.00	727,801.50	2,659,935.00	7,947,343.50	13,580,779.00	1.60
2011	22,193,000.00	2,248,141.00	728,787.50	2,659,466.00	7,947,304.50	13,583,699.00	1.63
2012	22,656,000.00	2,248,247.50	728,965.00	2,656,733.00	7,949,377.50	13,583,323.00	1.67
2013	23,128,000.00	2,246,018.50	728,334.00	2,661,736.00	7,947,757.00	13,583,845.50	1.70
2014	23,610,000.00	2,246,454.00	726,894.50	2,658,909.00	7,946,906.00	13,579,163.50	1.74
2015	24,101,000.00	2,249,294.50	729,646.50	2,653,535.00	7,946,019.00	13,578,495.00	1.77
2016	24,603,000.00	2,247,708.50	729,756.50	2,655,614.00	7,949,290.50	13,582,369.50	1.81
2017	25,114,000.00	2,247,636.50	728,696.50	2,659,580.00	7,945,646.50	13,581,559.50	1.85
2018	25,636,000.00	2,248,788.00	726,466.50	2,661,580.00	7,949,550.00	13,586,384.50	1.89
2019	26,168,000.00	2,245,872.50	728,066.50	2,659,680.00	7,949,658.50	13,583,277.50	1.93
2020	26,710,000.00	2,248,890.00	728,204.00	2,658,880.00	7,950,166.50	13,586,140.50	1.97
2021	27,264,000.00	2,248,044.50	729,944.00	2,658,880.00	-	5,636,868.50	4.84
2022	27,828,000.00	2,247,005.50	724,800.00	2,664,380.00	-	5,636,185.50	4.94
2023	28,404,000.00	2,245,467.50	728,086.00	2,658,370.00	-	5,631,923.50	5.04
2024	<u>28,991,000.00</u>	<u>8,063,125.00</u>	<u>2,609,174.00</u>	<u>18,537,480.00</u>	<u>-</u>	<u>29,209,779.00⁽⁵⁾</u>	1.00
Total	\$420,915,000.00	\$44,020,855.50	\$14,260,302.50	\$61,082,262.00	\$96,729,086.26	\$216,092,506.26	

* Preliminary, subject to change.

⁽¹⁾ Housing Tax Revenues are calculated for Fiscal Year ending June 30; debt service amounts calculated are for Bond Year ending September 2.

⁽²⁾ Source: Fiscal Consultant. Depending on the rate of growth within the Project Area, the Agency may reach the Tax Increment Limit for the Centre City Project prior to the final maturity date of the Series 2008A Housing Bonds. See "Risk Factors – Tax Increment Estimates" herein.

⁽³⁾ Source: Financial Advisor.

⁽⁴⁾ December 29, 2027 is the final repayment date for outstanding bonded indebtedness for the Marina and Columbia Sub Areas. See "Tax Allocation Financing and Limitations on Tax Revenues – Plan Limitations," Table I herein and Appendix A – "Report of the Fiscal Consultant" attached hereto.

⁽⁵⁾ Includes redemption of \$23,595,500 in principal on all Series for years beyond Fiscal Year 2024-25, assuming that the Agency reaches the Tax Increment Limit for the Centre City Project in Fiscal Year 2024-25.

Investments

The proceeds of the Series 2008A Housing Bonds and other moneys required to be deposited by the Agency in the funds and accounts established under the Trust Indenture will be held and invested in Permitted Investments, as defined in the Trust Indenture. Investment inventory reports are provided to the Office of the Chief Financial Officer of CCDC on a weekly basis. See "Risk Factors – Investment of Housing Tax Revenues" herein and Appendix C – "Summary of Principal Legal Documents" attached hereto.

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

RISK FACTORS

Prospective investors should carefully consider the factors set forth below regarding an investment in the Series 2008A Housing Bonds and other information contained in this Official Statement. The following discussion of risk factors is not intended to be a complete list of the risks associated with the purchase of the Series 2008A Housing Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors of the Series 2008A Housing Bonds are advised to consider the following factors, among others, and to review the other information in this Official Statement in evaluating the Series 2008A Housing Bonds. In addition, there can be no assurance that other risk factors will not become material in the future.

Tax Increment Estimates

The maximum amount of tax increment the Agency may receive from the Centre City Project pursuant to the Plan is \$2,894,000,000, approximately 20 percent of which is projected to be deposited in the Housing Fund pursuant to the Redevelopment Law and used for payment of, among other things, debt service on the Housing Bonds and any additional Parity Bonds. As of the end of Fiscal Year 2006-07, the Agency had received approximately \$662,915,784 from the Centre City Project, approximately 20 percent of which is attributable to the Housing Fund. The Agency has retained the Fiscal Consultant to estimate the tax increment available to pay debt service on the Series 2008A Housing Bonds. The Fiscal Consultant has made certain assumptions with regard to the assessed valuation in the Centre City Project, future tax rates, percentage of taxes collected, and the amount of funds available for investment, which assumptions are subject to varying degrees of uncertainty. Also, the estimates assume no additional development in the Project Area and no adjustments to revenue as a result of roll corrections, refunds and adjustments, and prior year delinquencies, penalties or interest. The Agency believes these assumptions to be reasonable, however, to the extent that the assessed valuation, the tax rates, or the percentage of taxes collected are less than projected by the Fiscal Consultant, the tax increment available to pay debt service on the Series 2008A Housing Bonds and any Parity Bonds may be less than projected in Table 8 herein. The Fiscal Consultant makes no representation, warranty or conclusion of any kind with respect to the accuracy or completeness of, and no representation or warranty should be inferred from, these estimates. See Appendix A - "Report of the Fiscal Consultant" attached hereto. At the rate of increase in the assessed value of property in the Centre City Project set forth in the report of the Fiscal Consultant, the Agency may reach the Tax Increment Limit for the Centre City Project, which the Plan established at \$2,894,000,000, prior to the final maturity date of the Series 2008A Housing Bonds. See "Security for the Series 2008A Housing Bonds - Pledge and Allocation of Tax Revenues for the Series 2008A Housing Bonds" herein and Appendix A - "Report of the Fiscal Consultant" attached hereto.

Reduction in Assessed Value

Tax Revenues allocated to the Agency and the Housing Tax Revenues available for payment of debt service on the Series 2008A Housing Bonds are determined in part by the amount by which the assessed valuation of property in the Centre City Project exceeds the respective base year assessed valuation for such

property, and by the current rate at which property in the Centre City Project is taxed. The Agency itself has no taxing power with respect to property, nor does it have the authority to affect the rate at which property is taxed. Substantial growth has occurred in the Centre City Project in recent years. Assessment appeals have increased recently, as discussed under “– Assessment Appeals” herein. This could cause a reduction of the assessed valuation of taxable property in the Centre City Project. Economic or other factors beyond the Agency’s control, such as a downturn in the local economy, relocation out of the Centre City Project by one or more major property owners or sale of property to a non-profit corporation exempt from property taxation, successful appeals by property owners for a reduction in a property’s assessed valuation, a reduction of the general inflationary rate, a reduction in transfers of property or construction activity, or the destruction of property caused by natural or other disasters, or other events that permit reassessment of property at lower values could also cause a reduction in the assessed valuation of taxable property in the Centre City Project which could result in a reduction of tax increment revenues. In addition, substantial delinquencies in the payment of property taxes by the owners of taxable property within the Centre City Project, including delinquencies or defaults relating to the prevalence of subprime home mortgage loans, could impair the timely receipt by the Agency of Tax Revenues. Delinquencies in the payment of tax bills have increased recently. See “– Property Tax Payment Delinquencies”, “– Reduction in Inflationary Rate” and “– Risk of Earthquake or Other Disaster” herein. Further, the State electorate or legislature could adopt further limitations with the effect of reducing Tax Revenues. See “Tax Allocation Financing and Limitations on Tax Revenues – State Budgets” herein.

Tax increment payments are also adjusted by refunds due to successful assessment appeals, which are apportioned on a countywide basis. See “– Assessment Appeals” herein. The Agency also receives revenues from paid delinquent taxes and penalties, which are allocated in part on an apportionment basis (one percent taxes) and in part on the basis of payments actually assignable to Project properties. Other events that are beyond the control of the Agency could occur and cause a reduction in Tax Revenues, thereby impairing the ability of the Agency to make payments of principal and interest and premium (if any) when due on the Series 2008A Housing Bonds on a timely basis. See Appendix A – “Report of the Fiscal Consultant” attached hereto.

The Fiscal Consultant has made certain assumptions with regard to the availability of tax increment revenues to estimate the total revenues available to pay debt service on the Series 2008A Housing Bonds. The Agency believes these assumptions to be reasonable, but to the extent tax increment revenues are less than anticipated, including for any of the reasons described herein, the total revenues available to pay debt service on the Series 2008A Housing Bonds or to refinance the Series 2008A Housing Bonds may be less than those projected herein. No independent third party has reviewed the estimates or assumptions made by the Agency, unless specifically referenced herein. See “Centre City Project – Estimated Tax Revenues, Debt Service and Coverage” herein.

Reduction in Inflationary Rate

Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described herein). This measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Series 2008A Housing Bonds could reduce Tax Revenues. See “Tax Allocation Financing and Limitations on Tax Revenues” herein.

Real Estate and General Economic Risks

The general economy of the area in and surrounding the Centre City Project is subject to all the risks generally associated with real estate and real estate development. Projected redevelopment of real property within and around the Centre City Project by the Agency and private development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected

increases in development costs and by other similar factors. Further, real estate development within and around Centre City Project could be adversely affected by future governmental policies, including governmental policies to restrict or control certain kinds of development. If development and redevelopment activities in the Centre City Project encounter significant obstacles of the kind described herein or other impediments, the economy of the area in and around the Centre City Project could be adversely affected, causing reduction of the Tax Revenues. In addition, if there is a decline in the general economy of the region, the City or the Centre City Project, the owners of property within the Centre City Project may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of tax revenues received by the Agency from the Centre City Project.

According to the Governor's Proposed Budget for Fiscal Year 2008-09 released on January 10, 2008 (the "Proposed 2008-09 State Budget"), home building, home sales, and related retail sales in the State all declined in the first 11 months of 2007 and there was little evidence that the housing sector downturn is abating. The Proposed 2008-09 State Budget also stated that the problems with subprime mortgages have raised financial market volatility and have contributed to a credit tightening that not only could delay a housing recovery, but affect parts of the economy outside the housing sector as well.

Assessment Appeals

Property taxable values may be reduced as a result of a successful appeal of the taxable value of property determined by the County Assessor. An appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant property owner. An assessee may contest either (i) the original determination of the "base assessment value" of a parcel (i.e., the value assigned after a change of ownership or completion of new construction), or (ii) the "current assessment value" (i.e., the value as determined by the County Assessor, which may be no more than the base assessment value plus the compounded 2% annual inflation factor) when specified factors have caused the market value of the parcel to drop below current assessment value. At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sales transaction or the recently completed improvement. A successful appeal of the base assessment value of a parcel has significant future revenue impacts, because a reduced base year assessment will reduce the compounded future value of the taxable value of the property prospectively. Except for the two percent inflation factor, the value of the property cannot be increased until a change in ownership occurs or additional improvements are added. Reductions in taxable values in Centre City Project resulting from successful appeals by property owners will reduce the amount of Tax Revenues available to pay the principal of and interest on the Series 2008A Housing Bonds.

The County Assessor's Office has stated that assessment appeals throughout the County have increased significantly. The Fiscal Consultant has analyzed approximately 217 assessment appeals pending hearing and 76 recently resolved appeals in the Centre City Project based on County data as of February 29, 2008. See "Centre City Project - Assessment Appeals" and Appendix A - "Report of the Fiscal Consultant" attached hereto. No assurance can be given that there will not be additional assessment appeals for properties in Centre City Project. Applications for property value reassessment submitted in the current fiscal year, if approved, will affect a taxpayer's 2008 property tax bill, not the current 2007 property taxes bills. Reductions in taxable values in the Centre City Project area resulting from successful appeals by property owners will reduce the amount of Tax Revenues available to pay the principal of and interest on the Series 2008A Housing Bonds. See Appendix A - "Report of the Fiscal Consultant" attached hereto.

Investment of Housing Tax Revenues

Housing Tax Revenues from the County are deposited in the City's Investment Pool prior to their deposit with the Trustee. See "Centre City Project - Investments" herein. Under the Trust Indenture, moneys in the Housing Special Fund, the Interest Account, the Principal Account, the Reserve Account, and the

Redemption Fund, as applicable, must be invested by the Trustee and Agency, as applicable, in Permitted Investments (as defined in the Trust Indenture). See Appendix C – “Summary of Principal Legal Documents” attached hereto. The Agency cannot predict the impact on the investment of any Housing Tax Revenues by the Agency if the City experiences significant losses in its Investment Pool.

Certain Bankruptcy Risks

The enforceability of the rights and remedies of the owners of the Series 2008A Housing Bonds and the obligations of the Agency may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Series 2008A Housing Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights. A delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Series 2008A Housing Bonds and the possibility of delinquent tax installments not being paid in full.

State Budgets

ERAF Transfers. In approving recent budgets, the State Legislature has enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each redevelopment agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years. The amount required to be paid by a redevelopment agency was apportioned based on historical tax increment collections. For Fiscal Year 2003-04, redevelopment agencies were required to shift \$135 million of tax increment revenues to the ERAF due to a shortfall in the State budget for Fiscal Year 2003-04. The shift to ERAF offset the need for a similar amount of State aid to education. Legislation required that half of the shift be calculated on the basis of Fiscal Year 2001-02 gross tax increment of a project area and the other half on net revenues after tax-sharing payments. The Agency's portion of the ERAF requirement for Fiscal Year 2003-04 was \$2,647,000, of which the Centre City Project's obligation was \$1,667,000. The adopted State budget for Fiscal Year 2004-05 included a \$250 million multi-year ERAF shift, limited to Fiscal Years 2004-05 and 2005-06, to be imposed on redevelopment agencies. The Agency's portion of the ERAF requirement for Fiscal Year 2004-05 was \$5,395,000, of which the Centre City Project's obligation was \$3,321,000. The Agency's portion of the ERAF requirement for Fiscal Year 2005-06 was approximately \$6,059,000, of which Centre City Project's obligation was \$3,885,000. These ERAF payments are subordinate to new and existing bond obligations, including the Series 2008A Housing Bonds. The Agency is not able to predict whether legislation requiring ERAF payments or a shift of other payments which would adversely affect Housing Tax Revenues will be enacted in future years.

Redevelopment agencies that make the specified ERAF payment for 2003-04 were allowed to extend the length of time in which they can receive tax increment by one year. The Agency has extended the length of time in which the Marina Sub Area, the Columbia Sub Area, the Gaslamp Quarter Sub Area and the Expansion Area can receive tax increment by one year pursuant to Ordinance No. O-19479. ERAF payments are not included in the maximum amount of tax increment the Agency may receive from the Centre City Project pursuant to the Plan. The City Council has not extended the Effective Dates of any Sub Area pursuant to Senate Bill 1096. See “Centre City Project” herein and “Tax Allocation Financing and Limitations on Tax Revenues – Plan Limitations” herein.

The State's projected budget deficits continue to be substantial and may lead to subsequent ERAF transfers or other actions which might reduce the Agency's available Housing Tax Revenues and the Agency's

ability to pay debt service on the Series 2008A Housing Bonds. Future legislation, litigation and other measures affecting the Agency's receipt of Housing Tax Revenues in connection with the State budget situation cannot be predicted at this time and may materially adversely affect the Agency's ongoing ability to pay debt service on the Series 2008A Housing Bonds.

Proposed 2008-09 State Budget. On January 10, 2008, Governor Schwarzenegger (the "Governor") released the Proposed 2008-09 State Budget. The Proposed 2008-09 State Budget projects an estimated \$14.5 billion budget shortfall by the end of Fiscal Year 2008-09, in the absence of any changes to State law or policy to reduce spending, which the Governor proposes to address with more than \$17 billion in correction actions. In particular, the Proposed 2008-09 State Budget projects State General Fund revenues and transfers for Fiscal Year 2008-09 of \$102.9 billion, an increase of approximately 2.1 percent above the anticipated revenues and transfers for Fiscal Year 2007-2008, and State General Fund expenditures of \$101.0 billion, a decrease of approximately 2.3 percent below the anticipated expenditures for Fiscal Year 2007-08. With proposed expenditures of \$2.6 billion more than revenues, the Proposed 2008-09 State Budget projects ending Fiscal Year 2007-08 with a State General Fund balance of \$1.76 billion, of which \$885 will be reserved for the liquidation of encumbrances and \$872 will be deposited in a reserve for economic uncertainties, and ending Fiscal Year 2008-09 with a State General Fund balance of \$3.67 billion, of which \$885 million will be reserved for the liquidation of encumbrances and \$2.78 billion will be deposited in a reserve for economic uncertainties, provided various budget-balancing proposals are approved.

The Governor's revised economic forecasts for the State reflect weaker economic performance than was previously forecast. State personal income growth (considered the broadest single measure available of the State's overall economic activity) is predicted to slow from 5.6 percent in 2007, to 4.8 percent in 2008, and then increase to 5.2 percent in 2009. Job growth within the State is expected to drop from 0.8 percent for 2007, to 0.7 percent for 2008, and then increase to 1 percent for 2009. New housing permits in the State are expected to be 95,000 in 2008, compared to an average of more than 160,000 annually for the past ten years.

The Governor has declared a fiscal emergency under the State Constitution and called the Legislature into special session to, among other things, consider the Governor's proposals for balancing the State budget, which includes issuing approximately \$3.3 billion in deficit-financing bonds, suspending a \$1.5 billion supplementary payment on outstanding deficit-financing bonds, accruing in Fiscal Year 2008-09 \$2 billion in tax revenues that are currently reflected as Fiscal Year 2009-10 revenues, reducing K-14 education spending in the current year by \$400 million, suspending the Proposition 98 minimum guarantee in the amount of \$4 billion in Fiscal Year 2008-09, saving approximately \$18 million in Fiscal Year 2007-08 \$758 million by Fiscal Year 2009-10 by releasing certain nonviolent prisoners and no longer actively supervising nonviolent offenders on parole, and making 10 percent across-the-board reductions (aggregating to approximately \$5 billion in savings) in most other State programs, excepting only program reductions that are deemed to be in conflict with the State Constitution or impractical.

In addition, the Governor proposes that a constitutional amendment be put before the State's voters, which amendment would provide for a creation of a third State reserve fund to receive revenues from the General Fund of any amount over the average long-term trend of revenue growth rate (which amounts would be transferred back to the General Fund in any year in which revenue growth was below the average) and provide the Governor with the power to make program reductions when he predicts the State to be in a budget deficit. The Governor also seeks legislation that would allow him to make reductions to the services of statutory entitlement programs.

Certain of the features of the 2008 09 Proposed Budget affecting redevelopment agencies include the following:

1. The Proposed 2008-09 State Budget proposes a reduction of \$100,000 from the Redevelopment Agency Special Supplemental Subventions in Local Government Financing. The proposal, which does not

require legislation, would reduce by 10 percent the funding that backfills revenues lost by redevelopment agencies when the business property tax was eliminated in the 1980s.

2. The Proposed 2008-09 State Budget estimates approximately \$2.85 billion for housing-related programs will be made available pursuant to Proposition 1C. Included within this amount is an estimated \$1.4 billion allocated for affordable housing programs, which consists of multifamily housing (\$345 million), homeless youth housing (\$50 million), emergency housing (\$50 million), supportive housing (\$195 million), farm worker housing (\$135 million), CalHome (\$300 million), down payment assistance (\$200 million) and the Building Equity and Growth in Neighborhoods program (\$125 million).

3. The Proposed 2008-09 State Budget also estimates allocating from Proposition 1C funds \$1.45 billion to provide incentives for housing development and to stimulate innovative approaches toward housing creation. These funds will be granted on a competitive basis by giving priority to localities that increase housing production over recent trends, produce more affordable housing and generate fewer negative impacts by placing housing near transit and within existing urbanized areas.

LAO Analysis of the 2007-08 Proposed Budget. On January 14, 2008, the Legislative Analyst's Office ("LAO") released a report entitled "Overview of the Governor's Budget" (the "LAO Budget Overview"), which provides an analysis by the LAO of the Proposed 2008-09 State Budget. The LAO Budget Overview is available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference.

In the LAO Budget Overview, the LAO states that the Proposed 2008-09 State Budget's revenue forecast is generally reasonable (although recent cash trends and continued negative economic reports may cause actual results to be lower than forecasted) and its spending proposals are built upon solid assumptions about caseload and program requirements. However, the LAO states that, in the context of the amount of corrective actions that are proposed, the ongoing revenue-raising proposals set forth in the Proposed 2008-09 State Budget are minimal, indicated that the proposed across-the-board reductions may cause many programs to operate in a less than optimal manner thus providing lower quality services to the public, and questioned whether certain proposed accruals comply with generally accepted accounting principals. The LAO recommends that the Legislature, among other things, focus on early decisions that will allow State programs to achieve desired savings in the current year, identify additional revenue solutions, balance the budget proposals set forth in the Proposed 2008-09 State Budget against the programmatic impacts from delaying payments to schools districts and local governments. In addition, the LAO stated that the reforms included in the Proposed 2008-09 State Budget represent a "serious diminution of the Legislature's appropriation authority" and "limit future policy makers' options to craft budgets" and suggests the exploration of other budgetary options.

The Fiscal Year 2008-09 State Budget ("Fiscal Year 2008-09 State Budget") is expected to be subject to significant negotiation and revision prior to its ultimate adoption. There can be no assurances that the final Fiscal Year 2008-09 State Budget will not place additional burdens on local governments, including redevelopment agencies, or will not significantly reduce revenues to such local governments. The Fiscal Year 2008-09 State Budget is subject to approval by the State Legislature, and the Agency cannot predict the ultimate impact of the final approved Fiscal Year 2008-09 State Budget on the Agency's financial situation. In the event the final Fiscal Year 2008-09 State Budget includes decreases in Agency revenues or increases in required Agency expenditures from the levels assumed by the Agency, the Agency will be required to generate additional revenues, curtail programs and/or services, or spend down its reserve to ensure a balanced budget.

2008-09 and Future State Budgets. No prediction can be made by the County as to what actions will be taken by the State Legislature and the Governor to deal with changing State revenues and expenditures or what will be included in the final adopted Fiscal Year 2008-09 State Budget. In addition, the Agency cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to

deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control.

Risk of Earthquake or Other Disaster

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

If an earthquake or other disaster were to substantially damage or destroy taxable property within the Centre City Project, the assessed valuation of such property could be reduced. There is no assurance that property owners within the Centre City Project area maintain earthquake or disaster insurance or that any such insurance would be sufficient in the event of an earthquake or other disaster. Further, there is no assurance that federal, State or other emergency funds will be provided or would be sufficient for reconstruction in the Centre City Project in the event of an earthquake or other disaster. A reduction of assessed valuations in the Centre City Project could result in a reduction of Tax Revenues, which could impair the ability of the Agency to make payments of principal of and interest on the Series 2008A Housing Bonds when due.

Hazardous Substances

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

Property Tax Payment Delinquencies

Delinquencies in the payment of tax bills increased significantly throughout the County in 2007. The County has offered an alternative method of tax apportionment pursuant to Section 4701 of the Revenue and Taxation Code of the State, known as the "Teeter Plan," to all taxing agencies, districts, redevelopment agencies and non-county treasury legal depositories in the County. The Agency has elected not to participate in the Teeter Plan. The Agency expects to receive revenues from paid delinquent taxes and penalties, which are allocated in part on an apportionment basis (one percent taxes) and in part on the basis of payments actually assignable to Project Area properties, but there is no guaranty that the Agency will receive property tax payment delinquencies in the Centre City Project in the future. See "Tax Allocation Financing and Limitations on Tax Revenues – Property Tax Collection Procedures" herein. Further, a significant increase in

delinquencies could result in a reduction of Tax Revenues, which could impair the ability of the Agency to make payments of principal of and interest on the Series 2008A Housing Bonds when due.

Bond Insurer Default

The Insurer's obligation to pay the principal of and interest on the Series 2008A Housing Bonds as and when due under the terms set forth in the bond insurance policy are subject to the risk that the Insurer is unable or unwilling to make payment in amounts equal to such obligations as a result of bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect against the Insurer or other adverse financial conditions affecting the Insurer. Further, the market price of the Series 2008A Housing Bonds may be adversely affected by the financial condition of the Insurer without regard to the Agency's financial condition.

Change in Law

No assurance can be given that the State electorate will not adopt initiatives or that the Legislature will not enact legislation that will amend the Constitution of the State, the Redevelopment Law or other laws in a manner that results in a reduction of Tax Revenues that could adversely affect the Agency's ability to make debt service payments on the Series 2008A Housing Bonds.

[To be reviewed by Co-Bond Counsel in connection with tax matters disclosure.] In addition, tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price for, or marketability of, the Series 2008A Housing Bonds.

Prospective purchasers should be aware that on November 5, 2007, the United States Supreme Court heard oral argument in connection with its review of a decision of the Court of Appeals of Kentucky in the matter of *Kentucky v. Davis*, which held that it was a violation of the Commerce Clause of the United States Constitution for the Commonwealth of Kentucky to grant a state income tax exemption to the interest on bonds and certificates issued by or on behalf of the Commonwealth of Kentucky and its political subdivisions while subjecting interest on bonds and certificates issued by or on behalf of other states and their political subdivisions to Kentucky state income tax. It is not possible to know at this time how the Supreme Court will decide *Kentucky v. Davis*. If the Kentucky decision is affirmed by the United States Supreme Court, states such as the State, may be required to eliminate the disparity between the income tax treatment of out-of-state bonds and certificates and the income tax treatment of in-state bonds and certificates, such as the Series 2008A Housing Bonds. The impact of this decision may also affect the market price for, or the marketability of, the Series 2008A Housing Bonds.

Prospective purchasers of the Series 2008A Housing Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, rulings or litigation.

CERTAIN LEGAL MATTERS

Certain legal matters incidental to the authorization, issuance and sale of the Series 2008A Housing Bonds are subject to the approving opinions of Nossaman, Guthner, Knox & Elliott, LLP and Adorno, Yoss, Alvarado & Smith, Co-Bond Counsel. The proposed forms of opinions of Co-Bond Counsel are attached hereto as Appendix E. Certain legal matters will be passed upon for the Agency by Hawkins Delafield & Wood LLP, Disclosure Counsel to the Agency, and by the City Attorney as Agency General Counsel. In connection with the issuance of the Series 2008A Housing Bonds, the fees payable to Co-Bond Counsel are contingent upon the issuance of the Series 2008A Housing Bonds.

TAX MATTERS

In the opinion of Nossaman, Guthner, Knox & Elliott, LLP, Irvine, California and Adorno, Yoss, Alvarado & Smith, Santa Ana, California, Co-Bond Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the Series 2008A Housing Bonds is, under existing law, exempt from State of California personal income taxes. Interest on the Series 2008A Housing Bonds is not excludable from gross income for federal income tax purposes. No attempt has been made or will be made to comply with certain requirements relating to the exclusion from gross income for federal income tax purposes of interest on the Series 2008A Housing Bonds, and interest on the Series 2008A Housing Bonds will be subject to all applicable federal taxation. Copies of the proposed opinions of Co-Bond Counsel are set forth in Appendix E hereto.

[To be revised to reflect tax language of Co-Bond Counsel.]

LITIGATION

There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or, to the knowledge of the Agency, threatened against the Agency or the Authority to restrain or enjoin the authorization, execution or delivery of the Series 2008A Housing Bonds or the pledge of the Pledged Housing Tax Revenues or the collection of the payments to be made pursuant to the Trust Indenture or in any way contesting or affecting the validity of the Series 2008A Housing Bonds or the Trust Indenture.

RATINGS

Moody's, S&P and Fitch, Inc. ("Fitch") have assigned their ratings of "___," "___" and "___," respectively, to the Series 2008A Housing Bonds based upon delivery of the Financial Guaranty Insurance Policy by the Insurer. In addition, Moody's and Fitch have assigned underlying ratings, of "___" and "___," respectively. On September 20, 2004, S&P suspended its uninsured ratings and underlying ratings on general obligation bonds, general fund-backed lease underlying ratings, all water and sewer revenue bond ratings, and all outstanding bonds and short-term notes of the City. S&P's ratings on the outstanding obligations of the Agency were also suspended at this time, including its obligations with respect to the Centre City Project. An explanation of the significance of such ratings may be obtained from the respective rating agencies.

The ratings reflect the views of the Rating Agencies and the Agency makes no representation as to the ratings and the significance to be given to them by potential purchasers of the Series 2008A Housing Bonds. Further, there is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely if in the sole judgment of rating agencies circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the trading value and the market price of the Series 2008A Housing Bonds. Other than as provided in the Continuing Disclosure Certificate, the Agency undertakes no responsibility either to bring to the attention of the owners of the Series 2008A Housing Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal.

Each of the Rating Agencies have released statements on the health of the financial guaranty industry that cite financial guarantors' exposure to subprime mortgage risk as an area of stress for the financial guaranty industry. In various releases, the Rating Agencies have each outlined the processes that they intend to follow in evaluating the effect of this risk on their respective ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade, or a downgrade. Potential investors are directed to the Rating Agencies for additional information on their respective evaluations of the financial guaranty industry and individual financial guarantors, including the Insurer. See "Bond Insurance" and "Risk Factors – Bond Insurer Default" herein.

UNDERWRITING

The Series 2008A Housing Bonds are being purchased by the underwriters listed on the cover page hereof (the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the Series 2008A Housing Bonds from the Agency at a price of \$ _____ (which represents the aggregate principal amount of the Series 2008A Housing Bonds, less an underwriters' discount of \$ _____ and less an original issue discount of \$ _____). The purchase agreement provides that the Underwriters will purchase all of the Series 2008A Housing Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the purchase agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2008A Housing Bonds to certain dealers and others at prices lower than the offering price stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of the owners of the Series 2008A Housing Bonds to provide, so long as the Series 2008A Housing Bonds are outstanding, the Annual Report setting forth certain financial information and operating data relating to the Agency by not later than 270 days following the end of the Agency's Fiscal Year (which is currently June 30), commencing with the Annual Report for the [2005-06 - presuming the 2004-05 audited financial statements are released prior to posing as anticipated] Fiscal Year and to provide notices of the occurrences of certain enumerated events, if material. These covenants have been made in order to assist the Underwriters in complying with the Rule. The specific nature of the information to be contained in the Annual Report or the notices of material events by the Agency is set forth in the Continuing Disclosure Certificate for the Series 2008A Housing Bonds. See Appendix F – "Form of Continuing Disclosure Certificate" attached hereto.

The Agency did file Annual Reports but did not provide financial statements with respect to Fiscal Years 2002-03 through 2006-07 for the outstanding obligations of the Agency identified in the following table, in part, because the City's financial statements were not available. The Agency filed notices of failure to provide required annual financial information as required by its disclosure undertakings for Fiscal Years 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07. Except as indicated below, the Agency has otherwise complied in all material respects in the last five years with each of its previous undertakings with regard to the Rule to provide Annual Reports or notices of material events in accordance with the Agency's respective continuing disclosure undertakings.

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

City Heights Redevelopment Project Tax Allocation Bonds, Series 1999A and Series 1999B
 City Heights Redevelopment Project 2003 Tax Allocation Housing Set-Aside Bonds,
 Series A and Series B
 North Bay Redevelopment Project Tax Allocation Bonds, Series 2000
 North Park Redevelopment Project Tax Allocation Bonds, Series 2000
 North Park Redevelopment Project 2003 Tax Allocation Bonds, Series A and Series B (Taxable)
 Centre City Redevelopment Project Tax Allocation Housing Bonds,
 Series 2004C and Series 2004D (Taxable)
 Centre City Redevelopment Project Tax Allocation Bonds, Series 1993 A (Taxable),
 Series 1993 B, Series 1999 A, Series 1999 B (Taxable), Series 1999 C, Series 2000A, Series
 2000B, Series 2001A, Series 2003A, Series 2004A, Series 2004B, Subordinate Series 2006A
 and Series 2006B (Taxable)
 Horton Plaza Tax Allocation Bonds, Series 1996 A, Series 1999 B, Subordinate Series 2000,
 Subordinate Series 2003A and Junior Lien Series 2003B
 Horton Plaza Tax Allocation Housing Bonds, Series 2003C (Taxable)
 Centre City Redevelopment Project Parking Revenue Bond, Series 1999A*
 Centre City Redevelopment Project Subordinate Parking Bond, Series 2003B*
 Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000**†
 Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000**†
 Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002A**†

- * Continuing disclosure undertaking includes the filing of Agency and City financial statements.
 † Annual Reports for Fiscal Year 2005-06 have not yet been filed for these issues.

PROFESSIONAL ADVISORS

Sutter Securities Incorporated, San Francisco, California served as Financial Advisor to CCDC with respect to the sale of the Series 2008A Housing Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

Katz Hollis served as Fiscal Consultant to the Agency and prepared its Report of the Fiscal Consultant, dated March 2008. See Appendix A – “Report of the Fiscal Consultant” attached hereto.

MISCELLANEOUS

All of the summaries herein of the Series 2008A Housing Bonds, the Trust Indenture, applicable legislation, agreements and other documents are made subject to the provisions of the Series 2008A Housing Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

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

REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO

By: _____
Assistant Executive Director

001330

APPENDIX A
REPORT OF THE FISCAL CONSULTANT

001331

KatzHollis

DRAFT

REPORT OF THE FISCAL CONSULTANT

Prepared for

**THE SAN DIEGO REDEVELOPMENT AGENCY
City of San Diego, San Diego County, California**

CENTRE CITY REDEVELOPMENT PROJECT

**TAX ALLOCATION HOUSING BONDS
SERIES 2008A (TAXABLE)**

Submitted by Katz Hollis

March 2008

DRAFT**KatzHollis****PART I****INTRODUCTION**

The Redevelopment Agency of the City of San Diego, California (the "Agency") is considering the issuance of its Tax Allocation Housing Bonds, Series 2008 (the "Bonds") to finance a portion of its low- and moderate-income housing activities within and/or of benefit to the Centre City Redevelopment Project (the "Project"). In connection with the proposed pledge of revenue from the Project, the Centre City Development Corporation (the "Corporation"), which administers the Project for the Agency, has requested that Katz Hollis review current and historical taxable values and property tax revenues, review currently pending and recently resolved assessment appeals and estimate future tax increment revenues to be pledged to the bonds. Pursuant to that request, Katz Hollis has prepared this Fiscal Consultant's Report (the "Report").

This Report is organized into the following four parts:

Part I, "Introduction," provides an outline of the Report, a summary of the Project including a Project Profile, Figure I-1, and a brief discussion of the various amendments that have created the current provisions of the Redevelopment Plan.

Part II, "Project Taxable Value and Tax Increment Revenue," covers current and historic values, taxable value attributable to major assessees, currently pending and recently resolved assessment appeals, and information on the sources of tax increment revenues. An analysis describing the impacts of existing liens on tax increment revenues including property tax administrative charges is also included in Part II.

Part III, "Projection of Tax Increment Revenues," includes a projection of future levels of taxable value and resultant tax increment revenues. Additionally, Part III discusses and demonstrates the impact of recently resolved assessment appeals on tax increment revenue of the Project. Part III also includes a brief discussion of the underlying assumptions of the projection.

Part IV, "Background Information," contains background information on the topics covered in Parts I through III of this Report. It has been prepared for those readers of the Report who may wish further information on the analysis and conclusions presented in prior sections.

It should be noted that the value estimates and tax increment revenue projections in this Report are based upon information believed to be reasonable and accurate as of the date of this analysis. To the extent that current information is modified, resulting tax increment revenue may be other than that projected. The discussion of allocation procedures for property taxes contained in this Report is based largely upon information provided by representatives of San Diego County (the "County"). These procedures are in some measure set administratively and are subject to change. No proposed changes to these procedures, other than those discussed herein, have been identified to date.

Redevelopment Agency of the City of San Diego
Centre City Development Corporation
Centre City Redevelopment Project
PROJECT PROFILE

GENERAL INFORMATION

The Centre City Redevelopment Project was created by adoption of a redevelopment plan in May 1992 that merged the existing Columbia, Marina and Gaslamp Quarter Redevelopment Projects and expanded the territory of the Projects to include the Expansion Sub Area.

Date of Adoption:	See Table I-A
Total Area:	1,400 Acres
Tax Increment Limit:	\$ 2,894,000,000
Tax Increment Received Through 2006-07:	\$ 662,915,784
Bond Indebtedness Limit:	\$ 1,073,000,000
Bond Indebtedness Outstanding as of March 31, 2008 (1):	\$ 393,096,756
Time Limit on Debt Incurrence:	See Table I-A
Time Limit on the Effectiveness of the Redevelopment Plan:	See Table I-A
Time Limit to Receive T/R/Repay Indebtedness:	See Table I-A

(1) Excludes parking revenue bonds of the Agency outstanding in the aggregate principal amount of \$28,390,000 as of March 31, 2008. Includes accreted value through March 31, 2008.

2007/08 REVENUE ESTIMATE (2)

	2007/08 Value	Base Year Value	Incremental Value
Secured			
Land	\$4,119,337,868	\$481,451,573	\$3,635,886,295
Improvements	7,663,735,440	607,314,210	7,056,421,230
Personal Property	135,988,607	62,326,292	73,662,315
Less: Exemptions	232,974,938	64,715,514	168,259,444
Total Secured	11,686,086,957	1,088,376,561	10,597,710,396
Unsecured			
Land		2,670,300	(2,670,300)
Improvements	105,779,699	77,831,606	27,948,093
Personal Property	302,843,681	11,392,092	291,451,589
Less: Exemptions	19,202,912		19,202,912
Total Unsecured	389,420,468	91,893,998	297,526,470
Total Value	\$12,075,507,425	\$1,180,270,559	\$10,895,236,866
Estimated Valuation Adjustments			
Assessment Appeal Valuation Reductions			(35,692,507)
Proposed Park Acquisition			(8,919,629)
Adjusted Incremental Secured and Unsecured			10,850,624,730
Gross Increment Revenue @ Unitary Revenue	1.000000%		108,506,247 398,555
Offsets to Gross Estimated Revenue			
33676 Resolutions			(806,017)
Property Tax Administrative Charge			(706,347)
AB1290 Statutory Pass-Through Payments			(1,232,483)
Net Tax Increment Revenue			106,159,955
Non-Housing Tax Revenue			84,681,468
Housing Tax Revenue			21,478,488

(2) Additional information is contained in Table II-1.

Figure I-1

DRAFT

ASSESSED VALUES/TAX RECEIPTS

Year	Historical Incremental Taxable Value	Historical Receipts (3)
2003/04	3,854,314,993	39,324,646
2004/05	4,991,507,589	50,589,833
2005/06	6,786,482,053	68,700,272
2006/07	8,759,642,747	88,623,945
2007/08	10,895,236,866	N/A

(3) All current year revenue receipts with no adjustments.

Percentage Collection

Year	Current Year Collections (4)	Adjusted Collections (5)
2003/04	97.39%	96.94%
2004/05	97.28%	96.90%
2005/06	97.04%	96.57%
2006/07	96.41%	96.51%

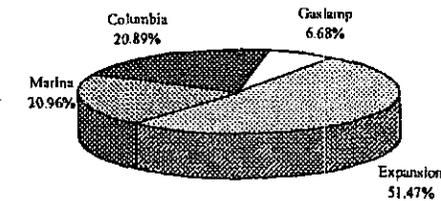
(4) All current taxes collected.

(5) All current and prior year taxes collected plus County adjustments except supplemental assessments.

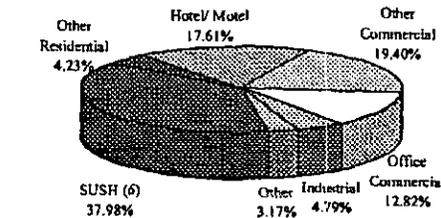
PASS-THROUGH AGREEMENTS

Agreements with: San Diego Community College District; San Diego County Office of Education; San Diego Unified School District and; County of San Diego are subordinate to bond debt service.
AB1290 Payments to other taxing Entities.

VALUE PER CONSTITUENT PROJECT AREA



VALUE PER LAND USE



(6) Single Unit Sales Housing. See Section I for Information.

MAJOR APPEALS

Resolved	Estimated Value Impact
Assessee	
CJUF Smart Corner LLC	19,696,000
Graybill Ventures LLC	6,140,000
1002 Market Street Property Holding, LP	2,145,060
Mark Vuozzo	717,214
Raymond & Bonnie Stewart	362,610
71 Other Appeal Each Less Than \$230,000 Value Impact	6,631,623
Total Assumed 2007/08 Impact	35,692,507

Pending

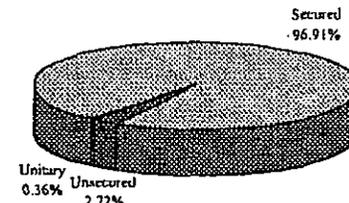
Pending	Estimated Value Impact
Assessee	
The Irvine Company	91,855,732
One Park Boulevard LLC	36,136,202
Manchester Pacific Gateway LLC	30,298,294
Pacific Gateway LTD	19,072,968
Sunstone Downtown, LLC	12,558,247
San Diego Hotel Company LLC	12,217,537
Allegro Towers, LP	11,484,601
3 Other Each \$3.2 Million to \$5.0 Million in Value Impact	11,324,598
10 Other Each \$1.0 Million to \$2.8 Million in Value Impact	18,921,847
197 Other Each Less Than \$1.0 Million in Value Impact	25,665,043
Total Potential 2008/09 Impact	269,535,069

2007/08 TEN MAJOR ASSESSEES

Assessee	Use/Common Name	Amount	% of Project Value
Irvine Company LLC	Office/Parking	459,000,000	3.80%
Manchester Resorts	Hyatt Hotel	355,162,560	2.94%
Pacific Gateway	Marriott Hotel	293,679,512	2.43%
Bawa Development Co.	Condominiums	288,936,608	2.39%
San Diego Ballpark Funding	Ballpark	235,730,206	1.95%
Manchester Pacific Gateway	Leasehold Interest	230,000,000	1.90%
One Park Boulevard LLC	Hilton Hotel	219,060,000	1.81%
PGREF II FNBC Limited Partnership	Office	171,360,000	1.42%
Solar Turbine, Inc	Industrial	160,616,142	1.33%
San Diego Ballpark Hotel Co	Omni Hotel/Parking Garage	139,800,404	1.16%

Total Major Assessee 2,553,345,432
Total Project Area Value 12,075,507,425
Percentage of Major Assessee to Project Area Value 21.14%
Percentage of Major Assessee to Area Incremental Value 23.44%

REVENUE BY TYPE



DRAFT**KatzHollis**

The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project
PART I – INTRODUCTION

Characteristics of the Project

The Project includes approximately 1,400 acres south and east of Interstate Highway 5 where it passes through downtown San Diego, encompassing areas immediately north and to the east of the downtown and adjacent waterfront areas. The Project contains a diversity of uses including office, retail, hotel, light industrial, residential, recreational, and educational.

The Centre City Redevelopment Project is administered by the Corporation, a non-profit corporation with a seven member Board of Directors who are named by the San Diego City Council. The Redevelopment Plan (the "Centre City Plan") for the Project was adopted on May 11, 1992, and resulted in the merger and expansion of the Columbia, Marina, and Gaslamp Quarter Redevelopment Projects. Each of the constituent project areas is referred to as an individual Sub Area in the Plan. The territory added by adoption of the Plan is identified as the Expansion Sub Area.

Pursuant to AB 1290, the San Diego City Council (the "City Council") adopted Ordinance O-18119 on November 28, 1994 (and subsequently corrected January 19, 1995) establishing various limits applicable to the Sub Areas and to the Project as a whole. In addition, pursuant to AB 1342, the City Council adopted Ordinance O-18720 for the Expansion Sub Area, on November 22, 1999, to extend the maximum allowable Limit on Plan Effectiveness, and Limit on Receipt of Tax Increment from, June 30, 2025 to May 11, 2032, and June 30, 2035 to May 11, 2042, respectively. On December 9, 2002, the City Council adopted Ordinance O-19132. This ordinance eliminated the debt incurrence limits previously applicable to the constituent project areas.

The City Council adopted Ordinance O-19479 on April 7, 2006, which extends the time limits for effectiveness and for the receipt of tax increment for each of the Sub Areas by one year. The extensions are made pursuant to SB 1045, which established redevelopment agencies' contribution to the ERAF for the 2003-04 fiscal year. (See Part IV for a discussion of ERAF and SB1045).

Given the various amendments to the Redevelopment Plan, the current time limits applicable to the Sub Areas are as shown on the table below:

Table I-A
AB 1290 TIME LIMITS FOR THE CENTRE CITY PROJECT

Sub Area	Date Adopted	Limit on Debt Establishment	Limit on Plan Effectiveness	Limit on Receipt of Tax Increment
Marina	Dec. 29, 1976	None	Dec. 29, 2017	Dec. 29, 2027
Columbia	Dec. 29, 1976	None	Dec. 29, 2017	Dec. 29, 2027
Gaslamp Quarter	July 26, 1982	None	July 26, 2023	July 26, 2033
Expansion Sub Area	May 11, 1992	None	May 11, 2033	May 11, 2043

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The San Diego Redevelopment Agency
City of San Diego, California
Centre City Redevelopment Project
PART I – INTRODUCTION

The elimination of the debt incurrence limit is pursuant to Section 33333.6 of the Redevelopment Law. Section 33333.6(e)(2) requires that a redevelopment project from which the debt incurrence limit is removed make payments to taxing entities commencing in the fiscal year following the fiscal year that contained the former limit. For the Marina, Columbia, and Gaslamp Quarter Sub Areas, the payments commenced in the 2004-05 fiscal year. The Expansion Sub Area will first make payments in 2012-13. Estimates of future years' tax revenue presented in this Report provide estimates of statutorily required payments to taxing entities.

In addition to the time limits above, there are dollar limitations on the amount of bonded indebtedness and the total amount of tax increment that may be received by the Project. The dollar limits apply in the aggregate to all bonds issued and all revenue received, respectively, from all of the constituent Sub Areas. The limit on bonded indebtedness is \$1.073 billion. The limit on the receipt of tax increment is \$2.894 billion.

DRAFT**KatzHollis****PART II
PROJECT TAXABLE VALUE AND TAX INCREMENT REVENUE****INTRODUCTION**

The following paragraphs provide summarized information regarding property tax valuation and revenues realized or to be realized for the Project in the current and recently past fiscal years. Much of the information regarding current year values and resultant revenues is presented on Table II-1, "Estimate of Incremental Property Tax Revenue for Fiscal Year 2007-08". Additional specifics regarding the analyses and assumptions that underlie the information in this Part II can be found in Part IV, "Background Information".

PROJECT TAXABLE VALUE**Current and Historical Taxable Value**

Project values are originally reported by the County in September of each fiscal year and are based on the aggregation of parcel values of each constituent Sub Area of the Project as of August 20th of such year. Based on the County's original report of values for the 2007-08 fiscal year, the total assessed value of the Project is approximately \$12.0 billion, representing an increase of approximately \$2.1 billion (or 22.5 percent) from 2006-07 reported Project values.

The historical trend for the Project is shown on Table II-2, "Historical Taxable Value". As shown on Table II-2, taxable value for the Project has increased from \$5.0 billion in 2003-04 to the current value of approximately \$12.0 billion in 2007-08, an overall increase over the period of approximately 139.8 percent.

Assessment Appeals

Pending and recently resolved assessment appeals were reviewed in order to determine the potential impact on current and future Project values and tax increment revenues should appeals be resolved in favor of the respective assessees. The analysis of currently pending and recently resolved assessment appeals in the Project disclosed two hundred-seventeen appeals pending hearing and seventy-six recently resolved appeals in the Project.

The table shown below summarizes the resolved appeals and the significant pending assessment appeals as derived from County data as of February 29, 2008, which covers assessment appeals activity for the last four years. The pending appeals are assumed to reduce the taxable value of the subject property by the historical reduction percentage for the Project applied to the pre-appeal assessed value. The historical average reduction percentage of 13 percent for the Columbia and Gaslamp Quarter Sub Areas, 15 percent for the Marina Sub Area, and 16 percent for the Expansion Sub Area, is based on a review of actual reductions resulting from successful appeals in the respective Sub Areas. Based on a review of County procedures regarding corrections to the tax roll resulting from appeals or other changes, it has been assumed that the impact of the resolved appeals be reflected in fiscal year 2007-08 and that pending appeals will impact 2008-09 Project values.

Table II-1

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Centre City Development Corporation

Centre City Redevelopment Project

Estimate of Tax Increment Revenue (1)

	2007/08 Taxable Value	Base Taxable Value	Incremental Taxable Value
Secured			
Land	\$ 4,119,337,868	\$ 483,451,573	\$ 3,635,886,295
Improvements	7,663,735,440	607,314,210	7,056,421,230
Personal Property	135,988,607	62,326,292	73,662,315
Gross Secured	11,919,061,915	1,153,092,075	10,765,969,840
Less: Exemptions	232,974,958	64,715,514	168,259,444
Total Secured	11,686,086,957	1,088,376,561	10,597,710,396
Unsecured			
Land	-	2,670,300	(2,670,300)
Improvements	105,779,699	77,831,606	27,948,093
Personal Property	302,843,681	11,392,092	291,451,589
Gross Unsecured	408,623,380	91,893,998	316,729,382
Less: Exemptions	19,202,912	-	19,202,912
Total Unsecured	389,420,468	91,893,998	297,526,470
Total Secured and Unsecured	\$12,075,507,425	\$1,180,270,559	10,895,236,866
Estimated Valuation Adjustments			
Assessment Appeal Valuation Reductions (2)			(35,692,507)
Proposed Park Acquisition			(8,919,629)
Adjusted Incremental Secured and Unsecured			10,850,624,730
Gross Tax Increment Revenue			108,506,247
Unitary Revenue (3)			398,555
Offsets to Gross Estimated Revenue			
33676 Resolutions			(806,017)
Property Tax Administrative Charge (4)			(706,347)
AB1290 Statutory Pass-Through Payments			(1,232,483)
Net Tax Increment Revenue			106,159,955
Non-Housing Tax Revenue			84,681,468
Housing Tax Revenue (5)			21,478,488

(1) Based on information provided by the County of San Diego

(2) Resolved assessment appeals assumed to impact fiscal year 2007-08.

(3) The 2007/08 amount as reported by the San Diego County Auditor and Controllers Office.

(4) As reported by the Auditor-Controller for fiscal year 2006/07.

(5) Housing Tax Revenue equals twenty percent of Gross Tax Increment Revenue plus Unitary Revenue minus 33676 Resolutions and Property Tax Administrative Charge.

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Redevelopment Agency of the City of San Diego
Centre City Development Corporation
Centre City Redevelopment Project

Table II-2

DRAFT**Historical Taxable Value (1)**

	2003/04	2004/05	2005/06	2006/07	2007/08
Secured					
Land	\$1,697,068,465	\$2,057,904,007	\$2,610,405,079	\$3,292,261,225	\$4,119,337,868
Improvements	3,085,624,701	3,906,151,589	5,128,269,294	6,272,952,089	7,663,735,440
Personal Property	94,056,024	112,079,143	119,320,773	111,358,400	135,988,607
Gross Secured	4,876,749,190	6,076,134,739	7,857,995,146	9,676,571,714	11,919,061,915
Less: Exemptions	133,265,280	159,672,447	199,892,246	209,723,111	232,974,958
Total Secured	4,743,483,910	5,916,462,292	7,658,102,900	9,466,848,603	11,686,086,957
Unsecured					
Land	-	-	-	-	-
Improvements	59,313,770	64,385,693	79,144,800	135,478,617	105,779,699
Personal Property	245,174,567	205,548,103	245,106,976	354,337,311	302,843,681
Gross Unsecured	304,488,337	269,933,796	324,251,776	489,815,928	408,623,380
Less: Exemptions	12,748,984	13,980,229	14,964,353	16,113,514	19,202,912
Total Unsecured	291,739,353	255,953,567	309,287,423	473,702,414	389,420,468
TOTAL PROJECT VALUE	5,035,223,263	6,172,415,859	7,967,390,323	9,940,551,017	12,075,507,425
Percentage Increase/Decrease		22.6%	29.1%	24.8%	21.5%
BASE YEAR VALUE	1,180,908,270	1,180,908,270	1,180,908,270	1,180,908,270	1,180,270,559
INCREMENTAL VALUE	3,854,314,993	4,991,507,589	6,786,482,053	8,759,642,747	10,895,236,866

(1) Based on information provided by the County of San Diego.

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The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART II – TAXABLE VALUES AND TAX INCREMENT REVENUE**ASSESSMENT APPEALS**

Assessee	Estimated Valuation Impact
RESOLVED	
CJUF Smart Corner LLC	\$ (19,696,000)
Graybill Ventures LLC	(6,140,000)
1002 Market Street Property Holding, LP	(2,145,060)
Mark Vuozzo	(717,214)
Raymond & Bonnie Stewart	(362,610)
71 Other Appeals Each Less Than \$230,000 Value Impact	(6,631,623)
TOTAL ASSUMED 2007-08 IMPACT	\$ (35,692,507)
PENDING	
The Irvine Company	\$ (91,855,732)
One Park Boulevard LLC	(36,136,202)
Manchester Pacific Gateway LLC	(30,298,294)
Pacific Gateway LTD	(19,072,968)
Sunstone Downtown LLC	(12,558,247)
San Diego Hotel LLC	(12,217,537)
Allegro Towers, LP	(11,484,601)
Three Other Each \$3.2 Million to \$5.0 Million in Value Impact	(11,324,598)
Ten Other Each \$1.0 million to \$2.8 million in Value Impact	(18,921,847)
197 Other Each Less than \$1.0 million in Value Impact	(25,665,043)
TOTAL ASSUMED 2008-09 IMPACT	\$(269,535,069)

The estimated valuation impacts shown above for pending appeals represent the reduction in Project value that would occur given the resolution of each of these appeals in favor of the taxpayer. The amount of actual impact of the included appeals, if resolved in favor of the taxpayer, future fiscal years would increase based on the application of inflationary factors (up to 2 percent per year) to the reduced taxable values.

In addition to the taxable value impact resulting from resolved appeals, Project revenues are affected by the refund of taxes to taxpayers who paid taxes on subsequently reduced assessed value for their properties. The impact of tax refunds is discussed under ADJUSTMENTS TO TAX INCREMENT REVENUE, below.

Major Assesseees

Table II-3, "Major Assesseees" lists the ten major assesseees in the Project and the total taxable value in the Sub Areas attributable to each assessee. As shown on Table II-3, the cumulative taxable value of the major assesseees represents approximately 21.14 percent of the total taxable value of the Project.

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Redevelopment Agency of the City of San Diego
Centre City Development Corporation

Centre City Redevelopment Project

Table II-3
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Ten Major Assesseees For Fiscal Year 2007/08 (1)

RANK	MAJOR ASSESSEES	NO. OF ASSESSMENTS	USE/COMMON NAME	SUB PROJECT AREA	2007/08 VALUE	% OF PROJECT VALUE
1	Irvine Company LLC* (2)	3	Office/Parking	Columbia	459,000,000	3.80%
2	Manchester Resorts	4	Hyatt Hotel	Marina	355,162,560	2.94%
3	Pacific Gateway*	4	Marriott Hotel	Marina	293,679,512	2.43%
4	Bosa Development Ca.	271	Condominiums	Col./Mar./Exp.	288,936,608	2.39%
5	San Diego Ballpark Funding (3)	4	Ballpark	Expansion	235,730,206	1.95%
6	Manchester Pacific Gateway* (4)	1	Leasehold Interest	Columbia	230,000,000	1.90%
7	One Park Boulevard LLC*	1	Hilton Hotel	Expansion	219,060,000	1.81%
8	PGREF II FNBC Limited Partnership (5)	1	Office	Columbia	171,360,000	1.42%
9	Solar Turbine, Inc	2	Industrial	Expansion	160,616,142	1.33%
10	San Diego Ballpark Hotel Co	8	Omni Hotel/Parking Garage	Expansion	139,800,404	1.16%
TOTAL VALUE MAJOR ASSESSEES					\$2,553,345,432	
PROJECT AREA VALUE					\$12,075,507,425	
PERCENTAGE OF MAJOR ASSESSEES TO PROJECT AREA VALUE						21.14%
PERCENTAGE OF MAJOR ASSESSEES TO AREA INCREMENTAL VALUE						23.44%

* This Assessee has one or more Assessments under Assessment Appeal.

- (1) Based on information provided by the San Diego County Assessor's Office.
- (2) Formerly known as One America Plaza and 501 West Broadway.
- (3) Private sector interests in the Petco Park Baseball Stadium.
- (4) 99-year lease of federally owned naval facility.
- (5) Formerly known as DLFNBC.

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The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART II – TAXABLE VALUES AND TAX INCREMENT REVENUE**PROJECT TAX REVENUE**

Project tax revenues consist primarily of tax increment revenues generated from the application of appropriate tax rates to the incremental taxable value of the Project. Other tax increment sources can include unitary property taxes and supplemental property taxes.

Tax Rates

Property tax rates levied in the Project that generate revenues accruing to the Agency include the basic 1.0 percent tax rate and debt service tax rates, the latter levied to repay voter-approved indebtedness. The reported 2007-08 tax rate to be used in computing property taxes in the downtown San Diego Area is \$1.09816 per \$100 of taxable value.

There is currently a debt service levy to provide funding for the City of San Diego Public Safety Communications System. The County Auditor-Controller's office has confirmed that, based on an amendment to Article XIII A of the California Constitution, the levy cannot be used to generate tax increment revenue for the Project. See "PROJECT AREA TAX REVENUE - Tax Increment and Tax Rates" in Section IV. The City override levy for the Communication System and all other debt service tax rates have been excluded from the computation of Project revenues in this Report. Revenues are computed using the basic \$1.00 per \$100 of assessed value.

Unitary Property Taxes

For fiscal year 2007-08, the County has reported the unitary revenue as \$398,555. For the purposes of this Report, it is assumed that the unitary revenue will remain constant at the reported 2007-08 amount in future years. Unitary revenue is incorporated into the projections of Part III. For additional information regarding unitary revenue, please refer to "PROJECT AREA TAX REVENUE – Unitary Property Taxes" in Part IV.

Supplemental Property Taxes

The Agency typically receives supplemental revenues on an annual basis as a result of new construction, changes in ownership and other valuation changes occurring throughout the fiscal year (as opposed to as of or just preceding the January 1 tax lien date). Supplemental property taxes shown on the following table are a function of new construction activity and transfers of ownership occurring in the Project after the lien date and can result in an increase in or an offset to Project revenues. For additional information regarding supplemental revenues, please refer to "PROJECT AREA TAX REVENUE - Supplemental Property Taxes" in Part IV.

HISTORICAL PROJECT SUPPLEMENTAL RECEIPTS

2003-04	\$ 6,838,202
2004-05	8,617,169
2005-06	14,297,826
2006-07	10,317,954

DRAFT**Katz Hollis**

The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART II – TAXABLE VALUES AND TAX INCREMENT REVENUE**HOUSING TAX REVENUE**

The Project was created through the merger and expansion of three redevelopment project areas. Because of the dates of adoption of the constituent projects and the expansion area, and because the Project is a merged project, three distinct provisions of the Redevelopment Law regarding the set-aside of tax increment for housing purposes apply. All of the provisions require the set-aside of twenty percent (20%) of Project tax increment for purposes of increasing, improving or preserving the City of San Diego's supply of low- and moderate-income housing. However, each of these provisions allows at least one form of deferral, reduction or elimination of the set-aside for a given fiscal year. The Agency has, in earlier fiscal years, used some of these means of reducing or delaying the set-aside of tax increment from the Project. Commencing with the 1988-89 fiscal year, the Agency has annually set aside twenty percent of Project tax increment, as described below, for low- and moderate-income housing purposes.

The estimates of tax increment included in this Report are based on the assumption that the Agency will continue to deposit a full twenty percent of Project revenue after deducting payments, if any, due pursuant to Section 33676 resolutions (discussed earlier) and the County's Administrative charges in a housing fund created to meet the requirements of state law.

Additional discussion of applicable low- and moderate-income housing statutes is provided in "AVAILABLE TAX INCREMENT – Low- and Moderate-Income Housing" in Part IV of this report.

ADJUSTMENTS TO PROJECT TAX REVENUE

It is our understanding that the Agency intends to pledge the tax increment revenues generated by the Project and dedicated to low- and moderate-income housing, as discussed above, to the payment of debt service on obligations that will fund Agency housing activities in and/or of benefit to the Project Area. Tax increment is determined after certain offsets to property tax revenue from the Project are deducted and the Agency will be required to make certain payments from tax increment as discussed below. Only some of the required offsets affect the amount of housing tax increment available for debt service on the Bonds.

Offsets to Project Revenue**Section 33676 Resolutions**

Pursuant to Section 33676 of the CRL (as it existed at the time of adoption of the Plan), the Metropolitan Water District of Southern California (the "Metropolitan Water District") the City of San Diego ("the City") and the San Diego County Water Authority (the "Water Authority") have elected to be allocated a portion of tax revenues generated by the Expansion Sub Area. The payments made to these entities are attributable to increases, if any, in their override tax rates, and/or increases in the assessed value of taxable property in the Expansion Sub Area attributable to annual inflationary growth of up to 2 percent allowed by Article XIII A of the California Constitution.

DRAFT**Katz Hollis**

The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART II - TAXABLE VALUES AND TAX INCREMENT REVENUE

The County computes and allocates the amounts due pursuant to Section 33676 Resolutions. Per the County's procedures, the base year value for the Project is increased each year by the inflation factor declared by the state. The original base year value is then deducted from the amount so determined and the resulting value is multiplied by the one-percent tax rate. Entities having adopted 33676 Resolutions are allocated their proportionate share of the taxes so determined. Total payments to be made pursuant to the Project's Section 33676 Resolutions for the 2007-08 fiscal year total \$806,017.

The payments made pursuant to Section 33676 Resolutions are considered to be made from property tax, not from tax increment. As a result, the Project revenues diverted to the entities pursuant to the Resolutions are not used in the computation of the housing set-aside or the determination of tax increment remaining under any applicable limitations on the Agency's receipt of tax increment from the Project.

See "AVAILABLE TAX INCREMENT - Section 33676 Resolutions" in Part IV for additional information on Resolutions adopted pursuant to Section 33676.

Property Tax Administrative Costs

The Property Tax Administrative Charge shown on Table II-1 is the result of legislation enacted in 1990, Senate Bill 2557, and in 1992, SB 1559, which authorize county auditors to determine property tax administrative costs proportionately attributable to local jurisdictions and to charge agencies for such costs. The charge resulting from this legislation is estimated at 1.0% of Project revenue based on a review of past administrative charges.

Contained in the estimate of the Administrative Charge is a fee levied by San Diego County since before the passage of the legislative administrative charge. The County continues to apply this offset to revenue as a designated part of the charge mandated by the legislation.

A recent court case determined that revenue used to pay the Property Tax Administrative Charge is to be considered tax increment in determining the amount of revenue received under a tax increment dollar limit. Previously, the payment of the Administrative Charge was assumed to be an allocation of property tax, before the apportionment of tax increment to an agency, and the housing set-aside was computed on revenues net of the charge. Although the court decision changed the nature of the Administrative Charge, housing set-aside estimates in this Report are computed on net revenues. Special counsel to the Agency is of the opinion that the Administrative Charge may be paid, in part, from housing revenues. Thus, the amount of the housing set-aside available for Agency use is the same as the amount computed using net revenues.

DRAFT**KatzHollis**

The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART II – TAXABLE VALUES AND TAX INCREMENT REVENUE**Payments from Tax Increment****Annual Property Tax Refunds**

Assesseees who pay taxes on assessed value that is later reduced due to successful assessment appeals are due refunds of the taxes paid on the erroneous value. The County distributes the impact of these refunds to taxing entities and redevelopment agencies based on countywide apportionment factors. A taxing entity or a redevelopment project area receives a reduction in property taxes due based on the proportionate share that its revenues represent of total, countywide property tax revenues. This method of apportioning refund impact has resulted in the annual charges to Project revenue shown on the following table.

APPORTIONED PROPERTY TAX REFUNDS

2003-04	\$ (632,150)
2004-05	(680,546)
2005-06	(1,203,423)
2006-07	(1,205,328)

The Property Tax Refunds reduce the total amount of tax increment available to the Agency from the Project and, therefore, reduce the amount of housing tax revenue.

Existing Tax Sharing Payments

The Agency has entered into Agreements of Cooperation with the San Diego Unified School District, the San Diego Office of Education, the San Diego Community College District and the County of San Diego, respectively. Each of these Agreements provides for the payment of a certain portion of Project tax increment revenues to each taxing entity. The amounts to be paid are determined on the basis of total Project tax increment but, except for an amendment to the County agreement (discussed below), are not to exceed a specified percentage of revenues generated in the Expansion Sub Area.

Each agreement expressly states that indebtedness pursuant to each Agreement is subordinate to the rights of the holder or holders of any existing bonds or future bonds, notes or other instruments of indebtedness of the Agency incurred or issued to finance the Project. Each Agreement also requires that the Agency, in good faith, incur indebtedness in a manner such that sufficient tax increment revenues remain available to pay the Agency's obligations under each Agreement. The payments made pursuant to the agreements are made from the non-housing portion of Project revenues.

The Agency amended the cooperation agreement between the Agency and the San Diego Unified School District in March of 1994 ("First Amendment"). The First Amendment requires the Agency to advance all costs in connection with the planning and implementation of the rehabilitation and expansion of the Washington Elementary School ("Improvement Program"). Improvement Program costs are estimated to be approximately \$5.0 million. Once the Improvement Program is fully implemented, the San Diego Unified School District shall reimburse the Agency fifty percent of the advance. The reimbursement is to be

DRAFT**KatzHollis**

The San Diego Redevelopment Agency
City of San Diego, California
Centre City Redevelopment Project

PART II – TAXABLE VALUES AND TAX INCREMENT REVENUE

accomplished by the Agency withholding fifty percent (50%) of annual payments due the San Diego Unified School District pursuant to the cooperation agreement until the advance has been recaptured. It is our understanding that the total \$5.0 million has been recaptured as of September 2005, and that payments to the San Diego Unified School District are no longer reduced by fifty percent per year.

The Agency has additionally entered into a First Implementation Agreement to its agreement with San Diego County. The First Implementation Agreement requires additional annual payments of Project revenue (the "Court Payments") in an amount necessary to make total annual payments, including those made under the original agreement, equal at least \$800,000. The Court Payments are not constrained to a percentage of Expansion Sub Area revenues. The Agency has made the Court Payments since the 1993-94 fiscal year and, per the First Implementation Agreement shall make the Court Payments for twenty-five years, until fiscal year 2016-17.

The First Implementation Agreement provides that the Court Payments are subordinate to all Agency bonds outstanding at the time of the Agreement (June 29, 1993), and to all future bonds designated by the Agency as senior to the Court Payments. Additionally, the First Implementation Agreement provides that the Court Payments shall be on parity with bonds designated as such by the Agency if Project revenues (as defined in the Agreement) are equal to at least 115% of the combination of maximum annual debt service on all bonds to be outstanding and the Court Payments.

A Second Implementation Agreement to the County Agreement extended the Court Payments to fiscal year 2021-22, a total payment period of thirty years.

The tax increment projection of Part III includes estimates of the future amounts of payments due pursuant to the tax sharing agreements. See "AVAILABLE TAX INCREMENT –Tax Sharing Agreements" in Part IV for additional information.

AB 1290 Payments

Pursuant to section 33607.7 of the Health and Safety Code, added by AB 1290, each constituent project and each added area of a project with amended financial time limits is required to make statutory payments to affected taxing entities that do not have existing tax sharing agreements. These payments are to begin once any of the constituent project's original redevelopment plan limitations would have taken effect. The redevelopment plan for the Project has been amended to eliminate each sub area's debt incurrence time limit.

The AB 1290 payments are computed using the increase in revenue, if any, over the amount of revenue generated by a project area in the year that the debt establishment limit would have been reached. In effect, the year in which the debt establishment limit is met becomes a new "base year" for purposes of calculating AB 1290 payments. Revenues resulting from future years' growth above the new tax base year fund the payments, which are distributed to all affected taxing entities participating in the affected constituent project and not having pre-AB 1290 tax sharing agreements (discussed above).

DRAFT**KatzHollis**

The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART II – TAXABLE VALUES AND TAX INCREMENT REVENUE

The Marina, Columbia and Gaslamp Quarter Sub Areas previously had a debt incurrence time limit of January 1, 2004. Statutory pass-through payment for these Sub Areas commenced in the 2004-05 fiscal year. The Expansion Sub Area's debt incurrence time limit was May 11, 2012. This Sub Area will commence payments in 2012-13.

AB 1290 provides that the Agency may request that taxing entities subordinate their AB 1290 payments to the payment of debt service on bonds. Pursuant to the statute, such a request may only be denied if the taxing entity finds, based on substantial evidence, that the payment of debt service would prohibit the AB 1290 payments. If such a demonstration is not received within 45 days of an agency's request, the subordination is deemed approved.

It is our understanding that the Agency has not requested subordination of the AB 1290 payments. Estimates of revenue included in this Report deduct estimates of payments to be made as AB 1290 pass-through payments. For further discussion of AB 1290 payments, see "AVAILABLE TAX INCREMENT – AB 1290 Payments" in Part IV.

SAN DIEGO COUNTY ALLOCATION ADJUSTMENTS

San Diego County calculates a redevelopment project area's tax increment by applying project area tax rates to incremental taxable value and by determining the allocation of unitary property taxes. Payments of tax increment to a redevelopment agency during the fiscal year are based upon the application of a project's apportionment factor to actual collections of property taxes countywide and not on actual collections in a specific project area.

Tax increment payments are subject to valuation adjustments, which may occur after submission of the assessment roll by the Assessor. Such adjustments can be the result of assessor revaluation of property, identification of property that escaped original assessment or the reassignment of property to correct aggregation codes for purposes of determining full taxable value for a redevelopment project.

As previously discussed, tax increment payments are also adjusted by refunds due to successful assessment appeals. Such amounts are apportioned on a countywide basis. The Agency also receives revenues from paid delinquent taxes and penalties. Payments of prior year taxes and penalties are paid in part on an apportionment basis (1% taxes) and in part on the basis of payments actually assignable to Project properties.

The recent history of these various categories of adjustment is shown on the following table.

DRAFT**KatzHollis**

The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART II – TAXABLE VALUES AND TAX INCREMENT REVENUE**COUNTY ALLOCATION ADJUSTMENTS**

<u>Fiscal Year</u>	<u>Roll Corrections</u>	<u>Refunds/ Adjustments</u>	<u>Delinquencies/ Penalties</u>	<u>Total Adjustments</u>
2003-04	\$ (45,981)	\$ (632,150)	\$ 502,779	\$ (175,352)
2004-05	(79,161)	(680,546)	567,081	(192,626)
2005-06	6,349	(1,203,423)	869,990	(327,084)
2006-07	(22,797)	(1,205,328)	1,319,544	91,419

Taking into account the adjustments shown above and the County's apportionment of countywide delinquencies, the Project has experienced the collection percentages indicated in the following table.

PERCENTAGE COLLECTIONS

<u>Fiscal Year</u>	<u>Adjusted Collections</u>
2003-04	96.94%
2004-05	96.90%
2005-06	96.57%
2006-07	96.51%

DRAFT**KatzHollis****PART III
PROJECTION OF TAX INCREMENT REVENUES****INTRODUCTION**

The estimates of future taxable values and revenues for the Project presented as Table III-1 are provided as an indication of the effect of pending instances of assessment changes and as a model of the future effects of some of the factors discussed in this Report. The estimates of annual value and revenue are constructed through a method that attempts to include only existing or imminent instances of changes in values or revenues. As such, the projection is an indication of the effects of less than the full universe of elements that can affect the generation of future revenues in the Project.

PROJECTION OF PROJECT TAXABLE VALUES

Real property values included on Table III-1 are comprised of locally assessed secured and unsecured land and improvement values. The projection included in this Part III is based on the assumption that 2007-08 real property (land and improvements) will increase at an annual rate of two percent. Two percent is the inflation factor used by all county assessors for the 2007-08 assessment tax roll per the direction of the State Board of Equalization. Taxable value increases that may occur as the result of changes in ownership or new construction are not included in the projection.

The estimated impact on Project value from the resolution of all resolved and pending assessment appeals has been deducted from the projection of tax increment in fiscal years 2007-08 and 2008-09. No estimates of future appeal activity have been included.

Other property values included on Table III-1 represent the taxable value of secured and unsecured fixtures and personal property. No inflationary trend has been applied to Other Property value.

PARK SPACE ACQUISITION

The City conducted studies and hearings and subsequently adopted, on February 28, 2006, a Community Plan for the Downtown area comprised of the Centre City Redevelopment Project and the Horton Plaza Redevelopment Project. The Community Plan, among other things: establishes a land use vision; provides strategies and specific implementing actions; and, establishes a basis for evaluating specific development proposals and public projects. Part of the Community Plan envisions creation of additional park areas in Downtown. The creation of these park sites will consist of the acquisition of properties currently owned by private parties and contributing to the overall assessed value of the Project. Once converted to public ownership the properties will have no taxable value. To portray the effect of the park acquisitions, the projection of tax increment of Table III-1 includes deductions of value in the 2007-08 and 2008-09 fiscal years. The deductions are based on the remaining 2007-08 assessed value (a portion of one site has already been acquired) of two potential park sites – East Village Green and St. Joseph's Park. The 2007-08 values for the portion of the sites assumed not to be acquired in 2007-08 are escalated at 2.0% per annum until removed in the subsequent fiscal year.

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Redevelopment Agency of the City of San Diego

Centre City Development Corporation

Centre City Redevelopment Project

Table III-1

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001349

Tax Increment Revenue Projection

(000's Omitted)

<u>Fiscal Year Ending :</u>	<u>1</u> <u>2007-08</u>	<u>2</u> <u>2008-09</u>	<u>3</u> <u>2009-10</u>	<u>4</u> <u>2010-11</u>	<u>5</u> <u>2011-12</u>	<u>6</u> <u>2012-13</u>	<u>7</u> <u>2013-14</u>	<u>8</u> <u>2014-15</u>	<u>9</u> <u>2015-16</u>
Real Property @ 2.00% (1)	\$11,655,878	\$11,843,491	\$11,793,966	\$12,029,845	\$12,270,442	\$12,515,851	\$12,766,168	\$13,021,491	\$13,281,921
Proposed Park Acquisition	(8,920)	(11,245)	-	-	-	-	-	-	-
Assumed Appeals Impact	(35,693)	(269,535)	-	-	-	-	-	-	-
Total Real Property	11,611,266	11,562,711	11,793,966	12,029,845	12,270,442	12,515,851	12,766,168	13,021,491	13,281,921
Total Other Property (2)	419,629	419,629	419,629	419,629	419,629	419,629	419,629	419,629	419,629
Total Value	12,030,895	11,982,341	12,213,595	12,449,474	12,690,071	12,935,480	13,185,797	13,441,121	13,701,550
Incremental Value Over Base of \$1,180,271	10,850,625	10,802,070	11,033,325	11,269,204	11,509,801	11,755,210	12,005,527	12,260,850	12,521,280
Gross Revenue (3)	108,506	108,021	110,333	112,692	115,098	117,552	120,055	122,608	125,213
Unitary Revenue (4)	399	399	399	399	399	399	399	399	399
Adjustments to Gross Revenue									
33676 Resolutions	(806)	(868)	(932)	(997)	(1,063)	(1,131)	(1,200)	(1,270)	(1,342)
Property Tax Administrative Fee (5)	(706)	(1,084)	(1,107)	(1,131)	(1,155)	(1,180)	(1,205)	(1,230)	(1,256)
AB 1290 Statutory Pass-Thru Payments (6)	(1,232)	(1,197)	(1,244)	(1,292)	(1,340)	(1,390)	(1,547)	(1,698)	(1,851)
Net Tax Increment Revenue	106,160	105,270	107,449	109,671	111,938	114,250	116,502	118,809	121,163
Non-Housing Tax Revenue	84,681	83,976	85,710	87,478	89,282	91,122	92,892	94,708	96,560
Housing Tax Revenue	21,478	21,293	21,738	22,193	22,656	23,128	23,610	24,101	24,603

(1) Real property, which includes secured and unsecured land and improvement value in the Project, is assumed to increase by 2.0 percent annually.

(2) Other property, which includes secured and unsecured personal property value in the Project is assumed to remain constant at the 2007-08 level.

(3) A 1.00% tax rate is assumed.

(4) 2007-08 Amount as reported by the San Diego County Auditor and Controllers Office. Future years are assumed to remain at the 2007-08 amount.

(5) The 2007-08 amount is the actual fee paid in fiscal year 2006-07. Future years are estimated at approximately 1.0 percent of gross revenue.

(6) Because the Agency amended the Debt Establishment for the Project, AB 1290 Payments commenced in fiscal year 2004-05 for the Columbia, Gaslamp Quarter, and Marina Sub Areas. The Expansion area payments are assumed to start in fiscal year 2012-13.

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Centre City Development Corporation**Centre City Redevelopment Project**

Table III-1

DRAFT

001350

Tax Increment Revenue Projection
(000's Omitted)

<u>Fiscal Year Ending :</u>	<u>10</u> <u>2016-17</u>	<u>11</u> <u>2017-18</u>	<u>12</u> <u>2018-19</u>	<u>13</u> <u>2019-20</u>	<u>14</u> <u>2020-21</u>	<u>15</u> <u>2021-22</u>	<u>16</u> <u>2022-23</u>	<u>17</u> <u>2023-24</u>
Real Property @ 2.00% (1)	\$13,547,559	\$13,818,511	\$14,094,881	\$14,376,778	\$14,664,314	\$14,957,600	\$15,256,752	\$15,561,887
Proposed Park Acquisition	-	-	-	-	-	-	-	-
Assumed Appeals Impact	-	-	-	-	-	-	-	-
Total Real Property	13,547,559	13,818,511	14,094,881	14,376,778	14,664,314	14,957,600	15,256,752	15,561,887
Total Other Property (2)	419,629	419,629	419,629	419,629	419,629	419,629	419,629	419,629
Total Value	13,967,189	14,238,140	14,514,510	14,796,408	15,083,943	15,377,230	15,676,382	15,981,517
Incremental Value Over Base of \$1,180,271	12,786,918	13,057,869	13,334,240	13,616,137	13,903,673	14,196,959	14,496,111	14,801,246
Gross Revenue (3)	127,869	130,579	133,342	136,161	139,037	141,970	144,961	148,012
Unitary Revenue (4)	399	399	399	399	399	399	399	399
Adjustments to Gross Revenue								
33676 Resolutions	(1,415)	(1,490)	(1,566)	(1,643)	(1,723)	(1,803)	(1,886)	(1,970)
Property Tax Administrative Fee (5)	(1,283)	(1,310)	(1,337)	(1,366)	(1,394)	(1,424)	(1,454)	(1,484)
AB 1290 Statutory Pass-Thru Payments (6)	(2,007)	(2,166)	(2,329)	(2,494)	(2,663)	(2,836)	(3,066)	(3,300)
Net Tax Increment Revenue	123,563	126,012	128,509	131,057	133,655	136,305	138,954	141,657
Non-Housing Tax Revenue	98,449	100,376	102,342	104,346	106,391	108,477	110,550	112,665
Housing Tax Revenue	25,114	25,636	26,168	26,710	27,264	27,828	28,404	28,991

- (1) Real property, which includes secured and unsecured land and improvement value in the Project, is assumed to increase by 2.0 percent annually.
(2) Other property, which includes secured and unsecured personal property value in the Project is assumed to remain constant at the 2007-08 level.
(3) A 1.00% tax rate is assumed.
(4) 2007-08 Amount as reported by the San Diego County Auditor and Controllers Office. Future years are assumed to remain at the 2007-08 amount.
(5) The 2007-08 amount is the actual fee paid in fiscal year 2006-07. Future years are estimated at approximately 1.0 percent of gross revenue.
(6) Because the Agency amended the Debt Establishment for the Project, AB 1290 Payments commenced in fiscal year 2004-05 for the Columbia, Gaslamp Quarter, and Marina Sub Areas. The Expansion area payments are assumed to start in fiscal year 2012-13.

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The San Diego Redevelopment Agency

City of San Diego, California

Centre City Redevelopment Project

PART III – PROJECTION OF TAX INCREMENT REVENUE**PROJECT TAX REVENUE**

Gross Revenue shown on Table III-1 has been calculated by applying a tax rate of \$1.00 per \$100 to the incremental taxable value of the Project.

For the purposes of this analysis, it is assumed that unitary revenues will remain constant at the 2007-08 amount of \$398,555, as reported by the San Diego County Auditor and Controller's Office.

Payments representing the Section 33676 Resolutions result from the adoption of such resolutions by the City of San Diego and the San Diego County Water Authority. The payments apply only to the Expansion Sub Area of the Project.

The projection assumes none of the following adjustments to revenue made by San Diego County:

- Roll Corrections;
- Refunds/ Adjustments;
- Prior Year Delinquencies/ Penalties/ Interest.

The Administrative Fee included in the projection is based on the historical percentage represented by the two charges levied by the County as coverage of the costs of determining and allocating Project revenues.

NON-HOUSING TAX INCREMENT AND HOUSING REVENUE

Tax Revenue has been determined on the assumption that the Agency will continue to set aside twenty percent of Project revenues, after deduction of the Section 33676 Resolution payments, for low and moderate income housing purposes.

Tax Revenue is not reduced by payments to be made to taxing entities pursuant to tax sharing agreements. Per our understanding, such payments are subordinate to debt service on the proposed obligations.

The projection includes estimates of payments to be made to taxing entities under the provisions of AB 211, which was used by the Agency to eliminate the debt incurrence time limits from the redevelopment plan of the Project. Payments are to be made to all taxing entities with which the Agency does not have a tax sharing agreement. Payments for years through 2011-12 include only amounts paid by the Marina, Columbia and Gaslamp Quarter Sub Areas. Payments for the Expansion Sub Area commence in 2012-13.

DRAFT**KatzHollis****PART IV****BACKGROUND INFORMATION****PROJECT AREA TAXABLE VALUE**

Pursuant to provisions of the California Constitution and the California Revenue and Taxation Code, county assessors are directed to determine the full cash value of locally-assessed real and personal property as of January 1 of each year. Locally assessed property is classified as either secured or unsecured. The secured classification includes property on which the property tax levied becomes a lien on the property to secure payment of the taxes. Property taxes levied on unsecured property do not become a lien against the unsecured property, but may become a lien on other property owned by the taxpayer. The State Board of Equalization (SBE) is charged with assessing the value of state-assessed properties as of January 1 of each year. (All state-assessed property is classified as secured property.) Taxable property is assessed at 100 percent of its full cash value as defined by the California Constitution.

Locally Assessed Values

Real property is comprised of locally assessed secured and unsecured land and improvements. Pursuant to Article XIII A of the California Constitution (effective as of the 1978-79 fiscal year) and Section 51 of the Revenue and Taxation Code, the taxable value of real property is limited to the lesser of actual market value or the 1975-76 value (the "base assessment value") compounded by an inflation factor of up to 2 percent annually. A new base assessment value is determined in instances of new construction or changes of ownership, which may result in increased property values in the year of the occurrence, above the 2 percent annual inflation factor.

Other property values are comprised of locally assessed secured and unsecured personal property. The taxable value of personal property is based on its full cash value and may be revalued annually without regard to the annual 2 percent inflation limitation imposed by Article XIII A.

State Board of Equalization Values

The SBE determines the annual taxable value of real and personal property of state-assessed utilities. The SBE determines the value of both unitary and non-unitary property of utilities. The taxable value of unitary properties is based on the unit valuation of all properties utilized statewide in the primary function of a utility. Non-unitary properties are also assessed by the SBE but are not part of the primary function of the utility.

Following the passage of Proposition 13 adding Article XIII A to the California Constitution, the SBE determined that the provisions of that Article requiring a "roll back" of real property values to their 1975-76 values and a constraint on inflationary growth of 2 percent per year did not apply to state-assessed property. This interpretation has been upheld by the California Supreme Court (*ITT World Communications, Inc. vs. City and County of San Francisco, et al.*, 37 Cal. 3d 859 - January, 1985). Consequently, state-assessed property may be revalued annually, and such assessments are not subject to the annual 2 percent inflation limitation of Article XIII A.

DRAFT**Katz Hollis**

The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART IV – BACKGROUND INFORMATION

Prior to the 1988-89 fiscal year, the SBE reported the value of each utility within each individual tax rate area to the auditor-controller of each county. Assembly Bill (“AB”) 454 (Chapter 921, Statutes of 1987) and AB 2670 (Chapter 791, Statutes of 2006) revised the method of reporting and allocating property taxes generated from state-assessed properties so that only the taxable value of non-unitary properties are reported for each tax rate area. As a result, the taxable value of the Project does not include most state-assessed unitary property. The Agency does receive an allocation of property taxes generated from state-assessed unitary property taxes, a description of which is included below in the “Project Tax Revenue” section of this Part IV.

Assessment Appeals

An assessee of locally assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the SBE, respectively. The assessee of state-assessed property or locally assessed personal property, the valuation of which is subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally assessed real property by Article XIII A, an assessee of locally assessed real property generally contests the original determination of the “base assessment value” of the parcel (i.e., the value assigned after a change of ownership or completion of new construction). In addition, the assessee of locally assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value (i.e., market value) to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sales transaction or the recently completed improvement. A base assessment appeal has significant future revenue impacts because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the 2 percent inflation factor, the value of the property cannot be increased until a change of ownership occurs or additional improvements are constructed or installed.

Pursuant to Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a decline in the value. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Section 51(b) adjustment is dependent upon a change in the conditions, which caused the drop in value. In fiscal years subsequent to such a reduction, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel’s compounded base assessment value.

An assessee may contest the reduction assigned by an assessor pursuant to Section 51(b) or the lack of any adjustment pursuant to the Section. Such protests are commonly referred to a Proposition 8 appeals, i.e., appeals claiming that the current year value of property is less than the adjusted base year value. Appeals of the taxable value for Project assessments could potentially lower taxable values, as currently reported, thereby

DRAFT**KatzHollis**

The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART IV - BACKGROUND INFORMATION

reducing tax increment revenues. For this reason, currently pending and recently resolved assessment appeals filed by taxpayers in the Project were reviewed. The results of this review are discussed in Part II of this Report.

The taxable value of utility property may be contested by utility companies and railroads to the SBE. Typically, the impact of utility appeals is on the statewide unitary value of a utility as determined by the SBE. As a result, the successful appeal of a utility may not impact the taxable value of a project but could impact a project's allocation of unitary property taxes.

It should also be noted that the potential appeals impact as shown in the analyses in Section II of this Report is based on estimated valuation reductions for each of the contested parcels. Actual impacts to tax increment revenues are dependent upon the actual revised value, if any, of assessments resulting from values determined by the San Diego County Assessment Appeals Board or through litigation, and upon the timing of successful appeals. The actual valuation impact to the Project from a successful assessment appeal will occur on the assessment roll next prepared after the actual valuation reduction.

PROJECT AREA TAX REVENUE

Pursuant to Article XVI, Section 16 of the California Constitution and Section 33670 of the California Health and Safety Code, redevelopment agencies are eligible to receive that portion of levied property taxes that are in excess of levied property taxes generated from the application of tax rates to the base year value of redevelopment project areas. The primary source of the excess property taxes (the "tax increment") is dependent on the total taxable value of a project area. In addition, tax increment may also be generated from property tax sources, which are not included in the current taxable value of a project area, but may be directly or indirectly related to current or past taxable values. These sources include unitary property taxes, supplemental property taxes and state special supplemental subventions.

Tax Increment and Tax Rates

By subtracting the base year value of a project area from the total taxable value of secured and unsecured real and personal property, the county auditor-controller determines the incremental taxable value of a project area. The resultant tax increment revenue is determined by applying applicable tax rates to the incremental taxable value.

The projected tax increment revenues shown on Table III-1 have been computed using only the "basic" tax rate (\$1.00 per \$100 of taxable value) as prescribed by Article XIII A, excluding any debt service tax rates levied for purposes of repaying voter-approved debt. Debt service tax rates (rates in excess of \$1.00 per \$100 of taxable value) typically decline each year. A declining debt service tax rate is the result of several factors: an effective limit from July 1, 1978 until June 3, 1986 established by Article XIII A (and since amended, as discussed below) on the amount of property taxes that can be levied (equal to the annual obligations or indebtedness approved by the voters); rising taxable values within the jurisdictions of taxing entities levying the approved debt service tax rate (which reduces the tax rate needed to be levied by the taxing entity to meet debt service requirements); and the eventual retirement, over time, of the voter-approved indebtedness.

DRAFT**KatzHollis**

The San Diego Redevelopment Agency

City of San Diego, California

Centre City Redevelopment Project

PART IV - BACKGROUND INFORMATION

On June 3, 1986, California voters approved a constitutional amendment to Article XIII A. The amendment allows, given a two-thirds vote, the levy of an ad valorem property tax in excess of 1 percent to pay debt service on indebtedness for the acquisition and improvement of real property approved on or after July 1, 1978. Further, a constitutional amendment approved by voters on November 8, 1988 and implementing legislation, AB 89 (Chapter 250, Statutes of 1989), added subdivision (e) to Section 33670, which excludes from the calculation of tax increment revenues property taxes generated by any new voter-approved bonded indebtedness approved on or after January 1, 1989. The tax rates used to calculate tax increment revenues in this Report exclude a tax rate levied by the City of San Diego that was approved by the City's voters after January 1, 1989.

Unitary Property Taxes

Prior to 1988-89, the SBE reported the value of each utility within each individual tax rate area to the auditor-controller of each county. AB 454 (Chapter 921, Statutes of 1987) revised the method of reporting and allocating property tax revenues generated from most state-assessed unitary properties beginning with the 1988-89 fiscal year. Under AB 454, the state reports to each county auditor-controller only the countywide unitary taxable value of each utility, without an indication of the distribution of the value among tax rate areas. AB 454 provides two formulas for auditor-controllers to utilize to determine the allocation of unitary property taxes derived from countywide unitary value, as described below:

- 1) For revenue generated from the basic one percent tax rate, each jurisdiction, including redevelopment project areas, is to receive up to 102 percent of its prior year unitary property tax revenue. If countywide revenues generated from unitary properties are greater than 102 percent of prior year revenues, each jurisdiction receives a percentage share of the excess unitary revenues equal to the percentage of each jurisdiction's share of secured property taxes.
- 2) For revenue generated from the application of the debt service tax rate to countywide unitary taxable value, each jurisdiction, including redevelopment project areas, is to receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes.

The provisions of AB 454 apply to all state-assessed property except railroads and non-unitary properties. Non-unitary valuation continues to be allocated to individual tax rate areas. Railroad unitary property, as of the 2007-08 fiscal year, is subject to the provisions of AB 2670 (Chapter 791, Statutes of 2006). AB 2670 treats railroad unitary property in a manner very similar to the treatment of utility unitary property under AB 454. All railroad unitary value within a county, except for a portion of the value of certain facilities constructed after 2006, is assigned to a single tax rate area. The revenues generated by the application of tax rates to this value is distributed among the other tax rates of the county by the same formula as specified by AB 454 - with two modifications. First, AB 2670 requires that school entities be allocated the same percentage of taxes from railroad values that they received in the prior fiscal year. Second, the bill provides that no revenue is to be allocated to redevelopment agencies for the 2007-08 fiscal year. Generally, Chapters 921 and 791, except for

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The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART IV – BACKGROUND INFORMATION

the exclusion of redevelopment agencies from a year of revenue, allow valuation growth or decline of state-assessed unitary property to be shared by all jurisdictions within a county.

Supplemental Property Taxes

Senate Bill ("SB") 813 (Chapter 498, Statutes of 1983) added sections 75 through 75.13 to the Revenue and Taxation Code, which provide for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the property tax lien date next following the change, thus delaying the realization of increased property taxes from the new assessment. As enacted, SB 813 provided increased revenue generated from the supplemental assessment of property to be allocated exclusively to school districts for the 1983-84 and 1984-85 fiscal years. That provision was amended by SB 794 (Chapter 447, Statutes of 1984) such that only supplemental property tax revenues collected for 1983-84 were to be allocated exclusively to school districts. As a result of SB 794, applicable legislation now provides that the supplemental revenues are to be allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes.

Supplemental taxes can represent either an addition or an offset to the taxes generated in a project area. Negative supplemental taxes that offset revenues are the result of changes in ownership or new construction that result in lower assessed value for the affected property. The history of supplemental tax receipts for recent past years of the Project is provided in Part II of this Report.

AVAILABLE TAX INCREMENT

The following is a discussion of offsets to tax increment revenue that may reduce the annual amounts of revenue available for debt service on the proposed obligations.

Property Tax Administrative Charges

In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. As enacted, SB 2557 appeared to exclude redevelopment agencies from either a reduction in tax increment revenues or a charge for a county's property tax administration costs. SB 1559 (Chapter 697, Statutes of 1992), was enacted in 1992 and clarified the provisions of SB 2557 as they relate to redevelopment agencies. In addition to including redevelopment agencies among entities subject to the property tax administration charge, SB 1559 also provides that amounts due as local agencies' contribution for such charge are to be allocated to the county as part of the overall system for the redistribution of property taxes (as opposed to being paid pursuant to invoices). The property tax administrative charges are included as a deduction to tax increment revenues.

The County Accounting Standards and Procedures Committee of the State Association of County Auditors (SACA) published a document in June 1997, entitled "Uniform Guidelines for the County Property Tax Administrative Costs." The Uniform Guidelines recommend that the administrative charges assigned to

DRAFT**Katz Hollis**

The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART IV – BACKGROUND INFORMATION

redevelopment projects should be based on revenue amounts that are not reduced by the amount of payments made to taxing entities to alleviate the fiscal detriment caused by redevelopment (payments pursuant to the pre-AB 1290 provisions of Section 33401). This approach to the treatment of the Section 33401 payments is a change from previous guidelines promulgated by SACA. The projections of tax revenue included in Part III of this Report contain administrative charges as provided in the SACA guidelines.

San Diego County also levies a charge for the computation of tax increment in redevelopment project areas. The County's practice in this regard predates the charge instituted by the above legislation. The payments due pursuant to SB 1559 are offset to reflect the County's continued receipt of the computational charge. The Administrative Charges included in the various tables of this Report are based on a combination of estimates for the SB 1559 charges and the County-imposed computational charge.

Low- and Moderate-Income Housing

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Health and Safety Code, requiring redevelopment agencies to set-aside 20 percent of all tax increment allocated to redevelopment project areas adopted after December 31, 1976, into a low- and moderate-income housing fund. As provided by Section 33334.2, the low- and moderate-income housing requirement can be reduced or eliminated if a redevelopment agency finds that: 1) no need exists in the community to improve or increase the supply of low- and moderate-income housing; 2) that some stated percentage less than 20 percent of the tax increment revenues is sufficient to meet the housing need; or 3) that other substantial or equivalent efforts, including the obligation of funds of equivalent impact from state, local and federal sources for low- and moderate-income housing are being provided for in the community.

As amended by AB 315 (Chapter 872, Statutes of 1991), Section 33334.2 restricts the ability to reduce or eliminate the low- and moderate-income housing requirement. A community can claim that no need exists, or can claim that less than 20 percent of tax increment revenue is sufficient, only if that claim is consistent with the housing element of the community's general plan. As of June 30, 1993, communities may no longer claim an "equivalent effort" exemption except for obligations incurred prior to May 1, 1991 that were entered into with the understanding that the "equivalent effort" exemption would remain intact.

AB 265 (Chapter 1135, Statutes of 1985) amended Section 33334.3 and added Sections 33334.6 and 33334.7 to extend the requirement for redevelopment agencies to set aside 20 percent of allocated tax increment revenue into a low- and moderate-income housing fund to redevelopment project areas adopted prior to January 1, 1977, beginning with fiscal year 1985-86 revenues. An agency may make the same findings described above to reduce or eliminate the low- and moderate-income housing requirement for a "pre-1977" project area.

For pre-1977 project areas, an agency may also reduce its low- and moderate-income housing deposit requirement in any fiscal year that an agency finds that the reduction is necessary to make payments on "existing obligations", i.e., indebtedness incurred prior to January 1, 1986, and, for fiscal years through 1995-96 only, to fund the orderly and timely completion of "public and private projects, programs or activities" approved by the Agency prior to January 1, 1985. Eligible obligations and programs under AB 265 must be

DRAFT**KatzHollis**

The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART IV – BACKGROUND INFORMATION

included on a statement of existing obligations and/or a statement of existing programs adopted by September 1, 1986 and describing each such obligation, project, program and activity.

Should an eligible agency defer the low- and moderate-income housing requirement, the amount equal to the difference between the 20 percent requirement for a given year and the amount deposited that year shall constitute a deficit in the housing fund and an indebtedness of the project area. An agency, per the legislation, is required to adopt a plan to eliminate the cumulative deficit created by such shortfalls in subsequent years.

As a merged redevelopment project, the Project is also subject to the provisions of Section 33487 of the Redevelopment Law. Section 33487 requires the set-aside of 20% of tax increment from a merged project for housing purposes but makes the set-aside subject to the requirements for compliance with bond resolutions or other agreements existing prior to the merger and pledging taxes from the project areas comprising the merged project. If, because of meeting such prior obligations, the set-aside is less than 20% of project revenue, a deficit is created in the housing trust fund of the merged project in the amount of the shortfall. Until any such deficit is eliminated, the agency shall not incur any new obligations pledging tax revenues of the merged project.

The Marina and Columbia Sub Areas of the Project were adopted as redevelopment projects prior to January 1, 1977, and are therefore subject to the requirements of Chapter 1135. The Agency has adopted statements of existing obligations and programs for each of these Sub Areas pursuant to Chapter 1135. The effect of the Agency's adoption of a statement of existing obligations and programs is that the Agency could reduce its deposit of tax increment revenues into the low- and moderate-income housing fund for these areas due to payments for existing obligations and/or for payments for Agency programs or activities. Also, because the Project is a merged project, the Agency could defer the set-aside of funds for housing in order to meet obligations existing prior to the merger.

The Agency had deferred the housing set-aside for the Marina and Columbia Sub Areas pursuant to the provisions of Chapter 1135 for fiscal years 1985-86 to 1987-88. Since that time, the Agency has deposited the full 20 percent of tax increment for each Project into the Housing Funds. According to Corporation staff, the deficit resulting from the deferral was paid in full in the 1998-99 fiscal year.

Tax Sharing Agreements

The Agency has entered into agreements to share Project tax increment revenues (Cooperation Agreements) with the following taxing entities: The County of San Diego; The San Diego Unified School District; The San Diego County Office of Education; and the San Diego Community College District.

The Cooperation Agreements for the above taxing entities are basically structured the same. Per the agreements, the Agency agrees to pay to each taxing entity, beginning in fiscal year 1992-93 and continuing until the Agency's right to receive property tax revenues is terminated or expires, an amount equal to a fixed percentage of tax increment revenues as set forth in the agreements. Such percentages are as shown on the following table.

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The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART IV - BACKGROUND INFORMATION

SUMMARY OF TAX SHARING FORMULAS

<u>Triggering Provision</u>	<u>Payment as a percentage of Property Tax Revenues*</u>			
	<u>County of San Diego</u>	<u>San Diego Community College District</u>	<u>San Diego Unified School District</u>	<u>San Diego County Office of Education</u>
Beginning fiscal year 1992-93	0.75%	0.10%	0.65%	0.04%
Beginning the first fiscal year <u>after</u> annual Property Tax Revenues allocated and paid to Agency equal \$15,000,000	5.00%	0.75%	2.40%	0.18%
Beginning the first fiscal year <u>after</u> annual Property Tax Revenues allocated and paid to Agency equal \$27,000,000	7.00%	1.65%	4.00%	0.45%
Beginning the first fiscal year <u>after</u> : (a) annual Property Tax Revenues allocated and paid to Agency attributable to the Project Area equal \$114,000,000; and (b) cumulative Property Tax Revenues allocated and paid to Agency attributable to the Columbia, Marina and Gaslamp Quarter Sub Areas equal \$630,000,000.	14.70%	1.78%	13.60%	0.50%

Limitation on Annual Payments

Until the cumulative Property Tax Revenues attributable to the Columbia, Marina and Gaslamp Quarter Sub Areas exceed \$630,000,000, not more than the indicated percentage of Expansion Sub Area revenues.

26.17%	6.46%	44.68%	1.58%
--------	-------	--------	-------

- * As used in the Agreements, Property Tax Revenues includes tax increment attributable to the base (1%) tax rate, legislative supplements to or substitutes for property taxes, override rates levied as of the date of the Agreement and any future increases in the base (1%) tax rate.

DRAFT**KatzHollis**

The San Diego Redevelopment Agency
City of San Diego, California
Centre City Redevelopment Project

PART IV – BACKGROUND INFORMATION

The actual amounts of the payments, until the Agency receives \$630 million from the Project (excluding revenues from the Expansion Sub Area), are constrained by a percentage of revenues generated by the Expansion Sub Area. The percentages, which vary for each of the Cooperation Agreements, are also shown on Table IV-1.

All of the Cooperation Agreements contain provisions that any required payment is subordinate to any new bond debt service. Additionally the Cooperation Agreements require that the Agency, in good faith, attempt to structure the new debt such that sufficient tax increment revenues remain available to pay the Agency's obligations under the agreements.

The Agency has amended the cooperation agreement between the Agency and the San Diego Unified School District in March of 1994 ("First Amendment"). The First Amendment requires the Agency to advance all costs in connection with the planning and implementation of the rehabilitation and expansion of the Washington Elementary School ("Improvement Program"). Improvement Program costs are estimated to be approximately \$5.0 million. Once the Improvement Program is fully implemented, the San Diego Unified School District shall reimburse the Agency fifty percent of the advance. The reimbursement is to be accomplished by the Agency withholding fifty percent (50%) of annual payments due the San Diego Unified School District pursuant to the cooperation agreement until the advance has been recaptured. It is our understanding that the total \$5.0 million has been recaptured as of September 2005, and that payments to the San Diego Unified School District are no longer reduced by fifty percent per year.

The Agency has also entered into a First Implementation Agreement with the County of San Diego. Per the Implementation Agreement the Agency has agreed to augment the payments due the County under its Cooperation Agreement. The payments are to be used for the capital costs of constructing a downtown court/office building in the Project and are referred to in the First Implementation Agreement as Court Payments. The Court Payments equal an annual amount necessary to have payments made under the Cooperation Agreement be not less than \$800,000 each fiscal year, commencing with fiscal year 1992-93 and continuing for twenty-five years, or through fiscal year 2016-17.

A Second Implementation Agreement to the County Agreement extended the Court Payments to fiscal year 2021-22, a total payment period of thirty years.

The Court Payments are not limited to a percentage of Expansion Sub Area revenues and, as a result, have been payable in the years since the approval of the First Implementation Agreement although until 2000-01 the Expansion Sub Area has not generated tax increment.

The First Implementation Agreement contains a provision that the Court Payments are subordinate to Agency bonds outstanding as of the execution of the Implementation Agreement and to any bonds designated by the Agency as superior to the Court Payments. Additionally, the Court Payments are to be on a parity with bonds of the Agency if: 1) the Agency designates the bonds as parity bonds; and, 2) Project revenues, as defined in the First Implementation Agreement are at least equal to 115% of the combination of maximum annual debt

DRAFT**KatzHollis**

The San Diego Redevelopment Agency
City of San Diego, California
Centre City Redevelopment Project

PART IV – BACKGROUND INFORMATION

services on all bonds to be outstanding and the Court Payment. We have assumed, for purposes of the analyses in this Report that debt service on the proposed Project bonds will be superior to the Court Payments.

Section 33676 Resolutions

Pursuant to Section 33676 of the CRL (as it existed at the time of adoption of the Centre City Project Redevelopment Plan), the Metropolitan Water District of Southern California (the "Metropolitan Water District") the City of San Diego ("the City") and the San Diego County Water Authority (the "Water Authority") have elected to be allocated a portion of tax increment revenues generated by the Expansion Sub Area attributable to increases in their override tax rates, and /or increases in the assessed value of taxable property in the Expansion Sub Area attributable to a maximum annual inflationary growth of 2 percent allowed by Article XIII A of the California Constitution. Allocations resulting from the inflationary increase in value are computed by San Diego County by compounding the base year value of a redevelopment project by two percent per year and allocating to the electing taxing entity its share of base levy (1%) taxes generated by the difference between the compounded and actual base year value.

The effect of the election by taxing entities to receive revenues generated by increases in the override tax rate is to exclude Agency participation in the additional revenues that would result from such increases. This provision of the 33676 resolutions does not, therefore, constitute a loss or decrease of revenue from levels generated prior to the increase in the override tax rate. The Metropolitan Water District's limitation on the use of increases in its rate applies only to the override portion of the Expansion Sub Area's tax rate. Therefore, the District will be allocated a portion of tax increment revenues pursuant to Section 33676 only upon an increase in its override tax rate. This allocation would not result in a reduction in the amount of revenue generated by the Expansion Sub Area.

AB 1290 Payments

Pursuant to law prior to 1994, redevelopment agencies were allowed to make payments to affected taxing entities to mitigate the fiscal impact to such agencies resulting from adoption of a redevelopment plan (former Section 33401). The payments using Section 33401 were typically made pursuant to agreements between agencies and a taxing entities commonly referred to as "pass-through" agreements.

AB 1290 repealed the provisions that enabled pass-through agreements. AB 1290 replaces the payments resulting from pass-through agreements with a statutory tax increment sharing formula for all redevelopment project areas established on or after January 1, 1994 and requires statutory pass-throughs to all taxing entities. AB 1290 payments are paid based on increases in revenue at several periods over the term of a project area's receipt of tax increment. The payments are in amounts determined per the following formulas:

- (1) Commencing with the first fiscal year a project receives tax increment and continuing to the last fiscal year of such receipt, the Agency shall pay to the affected taxing entities an amount equal to 25 percent of the tax increments received by the Agency after the amount required to be deposited in the Low- and Moderate-Income Housing Fund has been deducted.

DRAFT**KatzHollis**

The San Diego Redevelopment Agency
 City of San Diego, California
 Centre City Redevelopment Project

PART IV – BACKGROUND INFORMATION

- (2) Commencing with the 11th fiscal year and continuing through the last fiscal year in which the Agency receives tax increment, the Agency shall pay to the affected taxing entities, in addition to the amounts paid pursuant to item (1) above and after deducting the amount allocated to the Low- and Moderate-Income Housing Fund, an amount equal to 21 percent of the portion of tax increments received by the Agency.
- (3) Commencing with the 31st fiscal and continuing through the last fiscal year in which the Agency receives tax increments, the Agency shall pay to the affected taxing entities, in addition to the amounts paid pursuant to items (1) and (2) above and after deducting the amount allocated to the Low- and Moderate-Income Housing Fund, an amount equal to 14 percent of the portion of tax increments received by the Agency.

The agency's legislative body (city council or board of supervisors) may elect to receive its share of payments generated by the first tier of payments. It is unclear whether second and third tier payments are reduced by the legislative body's share or if that share is distributed among the other taxing entities. For purposes of estimating AB-1290 payments in this report, we have assumed that there will be no reduction of the second and third tier payments.

Pursuant to Section 33607.7 of the Health and Safety Code, a redevelopment plan amendment for any redevelopment plan adopted prior to January 1, 1994 that increases the limitation on the number of dollars to be allocated to the redevelopment agency or the time limit on the establishing of loans, advances and indebtedness must begin making statutory payments to affected taxing entities that do not have existing tax sharing agreements. These payments are the same as those described above but use the fiscal year containing the previous debt incurrence limit as the base year for computing taxing entity payments. Payments are to begin in the fiscal year following the original plan limit.

The City Council has amended the redevelopment plan for the Project to eliminate the time limits for the incurrence of debt. The Marina, Columbia and Gaslamp Quarter Sub Areas previously had a debt incurrence time limit of January 1, 2004. Statutory pass-through payment for these Sub Areas commenced in the 2004-05 fiscal year. The Expansion Sub Area's debt incurrence time limit was May 11, 2012. This Sub Area will commence payments in 2012-13.

TAX ALLOCATION PROCEDURES OF SAN DIEGO COUNTY**Tax Increment Revenue**

The County reports preliminary taxable values for redevelopment project areas by category in July of each fiscal year. Estimates of the amount of property tax revenues to be generated by the Project for a given tax year are prepared by the County in November.

When computing tax increment revenues, the County subtracts the base year taxable value from the current year taxable value for each tax rate area comprising a redevelopment project to arrive at incremental taxable value by tax rate area. Secured and unsecured tax rates are applied to incremental taxable values by tax rate

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The San Diego Redevelopment Agency
City of San Diego, California
Centre City Redevelopment Project

PART IV – BACKGROUND INFORMATION

area, and the resulting revenues are then aggregated to arrive at the total tax increment revenues due a given redevelopment project area and annexed area(s), if applicable, of a redevelopment project.

During the course of each fiscal year the County undertakes several adjustments to the amount of revenue to be allocated to the Agency. The offsets and additions to the Agency's receipts are discussed elsewhere in this Part IV and in the discussion of PROJECT TAX REVENUE in Part II.

Tax Receipts

According to the County Auditor & Controller Property Tax Services' *Tentative Apportionment Schedule for Community Redevelopment Agency 2007/08*, approximately 40% of total tax increment revenues are to be paid by mid-December, approximately 86% of total tax increment revenues by mid-April and approximately 95% of total tax increment revenues by mid-May. The payment of the balance of revenues, plus any previously delinquent taxes, are apportioned in July of each year.

LEGISLATION

There are no significant recently occurring or pending legislative or judicial items that would affect the analyses presented in this Report other than those already discussed.

APPENDIX B

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

Set forth below is certain demographic information regarding the City of San Diego (the "City") and the County of San Diego (the "County"). This information is provided for informational purposes only. The Series 2008A Housing Bonds (as defined in the Official Statement) are not a debt of the City, the County, the State of California (the "State"), or any of its political subdivisions, and neither the City, County, the State nor any of its political subdivisions is liable thereon. The Series 2008A Housing Bonds are not payable from any funds of the City, including amounts in the City's General Fund, and the Housing Tax Revenues (as defined in the Official Statement) are not impacted by the financial condition of the City. See "Security for the Series 2008A Housing Bonds" in the Official Statement.

Introduction

The City of San Diego (the "City"), with a total population of approximately 1.3 million in 2007 and a land area of approximately 340 square miles, is the seventh largest city in the nation and the second largest city in California. The City is the county seat for the County of San Diego (the "County"). The City's population increased by approximately 12.8% between 1998 and 2007, with an average annual increase of approximately 16,629, based on estimates published by the California Department of Finance in May 2007. In addition to having a favorable climate, the City offers a wide range of cultural and recreational services to both residents and visitors. The City has a diversified economy. Major components of this diversified economy include manufacturing, defense, tourism, agriculture, biotechnology/biosciences, financial and business services, software and telecommunications. The City has historically benefited from manufacturing (ship building, industrial machinery, television and video equipment, and printing and publishing), public and private higher education, health services, military, and local government employment.

Population

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

**Table 1
Population Growth Estimates
Calendar Years 1998 through 2007**

<u>Calendar Year</u> ⁽¹⁾⁽²⁾	<u>City of San Diego</u>	<u>Annual Growth Rate</u>	<u>County of San Diego</u>	<u>Annual Growth Rate</u>	<u>State of California</u>	<u>Annual Growth Rate</u>
1998	1,167,180	1.4%	2,702,805	1.9%	32,657,877	1.4%
1999	1,189,885	1.9	2,751,011	1.8	33,140,771	1.5
2000	1,207,003	1.4	2,801,336	1.8	33,721,583	1.8
2001	1,241,805	2.9	2,864,408	2.3	34,441,561	2.1
2002	1,256,007	1.1	2,921,273	2.0	35,088,671	1.9
2003	1,278,828	1.8	2,972,832	1.8	35,691,534	1.7
2004	1,287,602	0.7	3,011,526	1.3	36,252,878	1.6
2005	1,297,093	0.7	3,038,579	0.9	36,743,186	1.4
2006	1,305,625	0.7	3,064,113	0.8	37,195,240	1.2
2007	1,316,837	0.9	3,098,269	1.1	37,662,518	1.3

Source: State of California Department of Finance.

⁽¹⁾ As of January 1 of the calendar year.

⁽²⁾ Population figures and respective growth rates reflect revised figures that are benchmarked to base year 2000.

Employment

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

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

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

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

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

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

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

Table 3
County of San Diego
Wage and Salary Employment
Calendar Years 2002 through 2006⁽¹⁾

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

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

⁽¹⁾ All figures are based on a 2006 benchmark.

⁽²⁾ Includes finance, insurance, and real estate.

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

⁽⁴⁾ Figures may not add to total due to independent rounding.

001367

Taxable Sales

The following Table 4 sets forth taxable transactions in the City for calendar years 2002 through 2006.

Table 4
City of San Diego
Taxable Transactions
Calendar Years 2002 through 2006
(In Thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Retail Stores					
Apparel	\$ 681,338	\$ 732,526	\$ 785,563	\$ 865,833	\$ 924,301
General Merchandise	1,926,369	2,040,450	2,142,892	2,170,831	2,236,087
Food	690,819	696,398	741,899	801,351	843,800
Eating and Drinking	1,931,214	2,066,425	2,197,430	2,311,013	2,466,681
Home Furnishings and Appliances	664,607	690,345	728,841	747,339	706,043
Building Materials and Farm Implements	1,160,915	1,248,903	1,440,726	1,396,894	1,427,987
Auto Dealers and Supplies	2,033,999	2,138,480	2,213,662	2,228,510	2,132,207
Service Stations	959,059	1,085,386	1,232,354	1,398,512	1,567,032
Other Retail Stores	<u>2,085,876</u>	<u>2,232,817</u>	<u>2,375,353</u>	<u>2,465,882</u>	<u>2,527,653</u>
Total Retail Stores	\$12,134,196	\$12,931,730	\$13,858,720	\$14,386,165	\$14,831,791
All Other Outlets	<u>4,491,659</u>	<u>4,533,632</u>	<u>4,679,723</u>	<u>5,105,581</u>	<u>5,227,476</u>
TOTAL ALL OUTLETS	<u>\$16,625,855</u>	<u>\$17,465,362</u>	<u>\$18,538,443</u>	<u>\$19,491,746</u>	<u>\$20,059,267</u>

Source: California State Board of Equalization.

Tourism

The tourism industry is the County's third largest industry in terms of business revenue generation, following manufacturing and the military, according to the San Diego Convention and Visitors Bureau. The following Table 5 sets forth total visitor spending in the County for the calendar years 2003 through 2007.

Table 5
County of San Diego
Total Visitor Spending⁽¹⁾
Calendar Years 2003 through 2007
(In Billions)

<u>Calendar Year</u>	<u>Amount</u>
2003	5.33
2004	5.52
2005 ⁽²⁾	7.22
2006 ⁽²⁾	7.72
2007 ⁽²⁾	[To come]

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

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

⁽²⁾ Figure reflects revised estimate to include Mexican day visitors, non-resident air travelers and conference and convention planners and exhibitor companies.

Military

The following Table 6 sets forth the military and related defense expenditures and personnel in San Diego for the federal Fiscal Years ended September 30, 2002 through September 30, 2006.

Table 6
City of San Diego⁽¹⁾
Total Defense Expenditure and Personnel
Federal Fiscal Year 2002 through 2006

	<u>Expenditures (\$000)</u>			<u>Military & Civilian Personnel</u>		
	<u>Payroll Outlays⁽²⁾</u>	<u>Grants/ Contracts</u>	<u>Total</u>	<u>Active Duty Military</u>	<u>Civilian</u>	<u>Total</u>
2002	\$2,961,646	\$3,752,107	\$6,713,753	22,568	12,351	34,919
2003	3,180,150	4,159,879	7,340,029	22,263	12,055	34,318
2004	3,456,175	3,898,720	7,354,895	17,801	12,934	30,735
2005 ⁽³⁾	3,537,765	4,336,712	7,874,477	45,899	11,758	57,657
2006 ⁽³⁾	3,248,103	4,363,867	7,611,970	43,292	6,184	49,476

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

⁽¹⁾ Does not include Miramar NAS.

⁽²⁾ Military & Civilian.

⁽³⁾ 2005 and 2006 personnel figures include Navy/Marine Corps military personnel afloat. 2002-2004 personnel figures only account for Navy/Marine Corps shore-based personnel. Also, 2005 and 2006 figures on grants and contracts reflect all grants and contracts for that fiscal year while the 2002-2004 figures only reflect contracts with obligations exceeding \$25,000.

International Trade

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

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

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

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

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

001370

Major Employers

The following Table 8 sets forth the major employers in the County of San Diego as of January 1, 2007.

**Table 8
County of San Diego
Major Employers
As of January 1, 2007⁽¹⁾**

<u>Employer</u>	<u>Product/Service</u>
10,000 or More Employees:	
State of California	Government
Federal Government	Government
University of California, San Diego	Higher Education
County of San Diego	Government
San Diego Unified School District	Education
Sharp HealthCare	Health Care
Scripps Health	Health Care
San Diego State University	Higher Education
City of San Diego	Government
5,000 – 9,999 Employees:	
Qualcomm Inc.	Wireless Communications
Kaiser Permanente	Health Care
U.S. Postal Service, San Diego District	Shipping, Transportation, & Delivery Service
San Diego Community College District	Higher Education
Sempra Energy	Utility
3,000 – 4,999 Employees:	
General Dynamics NASSCO	Design, Construction and Repair of Vessels
Science Applications International Corporation	Research and Development
Northrop Grumman Corp.	Defense Technology
Barona Valley Ranch Resort & Casino	Casino
Rady Children's Hospital, San Diego	Health Care
University of San Diego	Higher Education
General Atomics	Defense Contractor, Energy
Palomar Pomerado Health	Health Care
2,000 – 2,999 Employees:	
BAE Systems	Defense Systems
Jack in the Box Inc.	Restaurants
Scripps Research Institute	Research and Development
Ace Parking Management Inc.	Parking Services
Veterans Affairs San Diego Healthcare System	Health care
Sycuan Resort & Casino	Casino
Grossmont-Cuyamaca Community College District	Higher Education
Tri-City Medical Center	Health Care
Cox Communications Inc.	Telecommunications Services
United Parcel Service	Shipping, Transportation, & Delivery Service
Sony Electronics	Electronics
SeaWorld San Diego	Entertainment
Pala Casino Spa & Resort	Casino
Zoological Society of San Diego	Entertainment

Source: San Diego Business Journal – December 31, 2007 – Book of Lists.

Building Permits

The following Table 9 sets forth building permit valuations and the number of new dwelling units authorized in the City for the Fiscal Years Ended June 30, 2003 through June 30, 2007.

Table 9
City of San Diego
Building Permit Valuations
and Number of New Dwelling Units
Fiscal Years Ended June 30, 2003 through 2007

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Valuation (in thousands)					
Residential	\$1,240,912,566	\$1,155,032,486	\$1,111,882,391	\$ 808,576,268	\$ 722,599,128
Nonresidential	<u>530,745,723</u>	<u>754,841,581</u>	<u>810,313,796</u>	<u>833,030,841</u>	<u>789,096,479</u>
Total	<u>\$1,771,658,289</u>	<u>\$1,909,874,067</u>	<u>\$1,922,196,187</u>	<u>\$1,641,607,109</u>	<u>\$1,511,695,607</u>
Number of New Dwelling Units:					
Single Family	1,969	1,691	1,318	924	840
Multiple Family	<u>4,934</u>	<u>4,349</u>	<u>4,316</u>	<u>3,158</u>	<u>2,855</u>
Total	<u>6,903</u>	<u>6,040</u>	<u>5,634</u>	<u>4,082</u>	<u>3,695</u>

Source: Construction Industry Research Board, February 2008.

001372

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

[Please see separate Indenture included in financing package.]

001373

DOCKET SUPPORTING INFORMATION
CITY OF SAN DIEGO

DATE:

EQUAL OPPORTUNITY CONTRACTING PROGRAM EVALUATION

April 1, 2008

SUBJECT: Center City Redevelopment Project Tax Allocation Housing Bonds, Series 208A – Centre City
Redevelopment Project

GENERAL CONTRACT INFORMATION

Recommended Consultant: Not Applicable
Amount of this Action: Not Applicable

SUBCONSULTANT PARTICIPATION

There is no subconsultant activity associated with this action.

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE

Equal Opportunity Required:

This agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517)

ADDITIONAL COMMENTS

This action is to request approval of the issuance of Center City Redevelopment Project Tax Allocation Housing Bond, Series 2008A in an amount not to exceed \$69 million producing net proceeds of approximately \$60 million for low and moderate income housing activities.

JLR

001375

REQUEST FOR COUNCIL ACTION
CITY OF SAN DIEGO

1. CERTIFICATE NUMBER
(for auditor's use only) *N/A* 333
04/15

TO:
CITY ATTORNEY

2. FROM: (ORIGINATING DEPARTMENT)
CENTRE CITY DEVELOPMENT CORPORATION

3. DATE
March 19, 2008

4. SUBJECT:
Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2008A – Centre City Redevelopment Project
(Companion to Redevelopment Agency)

5. Primary Contact: (Name, Phone & Mail Sta.)
Frank Alessi, Vice President and Chief Financial Officer, (619) 533-7130, MS 51D

6. Secondary Contact (Name, Phone & Mail Sta.)

7. Check BOX if REPORT TO COUNCIL IS ATTACHED X

8. COMPLETE FOR ACCOUNTING PURPOSES

FUND					9. ADDITIONAL INFORMATION/ESTIMATED COST: Fiscal Impact:
DEPT.					
ORGANIZATION					
OBJECT ACCOUNT					
JOB ORDER					
C.I.P. NUMBER					
AMOUNT					

10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVING SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVING SIGNATURE	DATE SIGNED
1	CCDC President	<i>Nancy Graham</i>	3/19/08	9	EOC	<i>Don P. Engle</i>	4/1/08
2	CCDC Vice President/CFO	<i>Frank Alessi</i>	3/19/08	10	EAS	<i>John P. ...</i>	
3	Environmental Review	<i>Dean Coker</i>	3/20/08	11	City Attorney	<i>Mark Blake</i>	
4	Asst. Dir., CPCI, Redevelopment	<i>Janice L. Weindick</i>	3/21/08	12	Originating Department	<i>John P. ...</i>	3/19/08
5	Deputy Chief Operating Officer, Land Use and Housing	<i>William Anderson</i>	3/24/08	13	Vice President Real Estate Operations	<i>Barbara A. Kaiser</i>	3/19/08
6				14			
7	Chief Operating Officer	<i>Jay Goldstone</i>	3/25/08	15	Docket Coord.	<i>AF 4/3</i>	Council Liaison <i>AF 4/3</i>
8	Auditor	<i>Rolando Charvel</i>	3/26/08		COUNCIL PRESIDENT	<i>Cine</i>	<input type="checkbox"/> Spob <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ADOPTION <input type="checkbox"/> REFER TO _____ COUNCIL DATE: 4/15/08

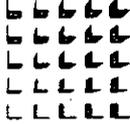
11. PREPARATION OF: RESOLUTION(S) ORDINANCE(S) AGREEMENT(S) DEED(S)

DOCKET OF: April 15, 2008

11a. STAFF RECOMMENDATIONS:

That the Redevelopment Agency ("Agency") approve the issuance of Centre City Redevelopment Project Tax Allocation Housing Bond, Series 2008A ("Housing Bonds") in an amount not to exceed \$69 million producing net proceeds of approximately \$60 million for low and moderate income housing activities and that the City Council approve the financing of Housing Bonds by the Agency.

001377



**Centre City
Development
Corporation**

EXECUTIVE SUMMARY

REPORT NO.: CCDC-08-07
CCDC-08-04

DATE: April 9, 2008

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of April 15, 2008

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: Centre City Redevelopment Project Tax Allocation Housing Bonds,
Series 2008A – Centre City Redevelopment Project

COUNCIL DISTRICTS: Districts 2 and 8

STAFF CONTACT: Frank Alessi, Vice President and Chief Financial Officer, 619-533-7130

REQUESTED ACTION: That the Redevelopment Agency (“Agency”) approve the issuance of Centre City Redevelopment Project Tax Allocation Housing Bond, Series 2008A (“Housing Bonds”) in an amount not to exceed \$69 million and that the City Council (“Council”) approve the financing of the Centre City Redevelopment Project by the Agency.

STAFF RECOMMENDATION: That the Agency approve the issuance of Housing Bonds in an amount not to exceed \$69 million and that the Council approve the financing of Housing Bonds by the Agency.

EXECUTIVE SUMMARY: The Fiscal Year 2008 (“FY08”) Budget includes a provision of \$50.4 million net proceeds from a Tax Allocation Housing Bond. The sale of Housing Bonds will provide the necessary funds to implement the FY08 Budget by leveraging the 20% Low and Moderate Income Housing Funds tax increment.

FISCAL CONSIDERATIONS: The sale of Housing Bonds will utilize the 20% low and moderate tax increment revenue for debt service of approximately \$8.0 million annually over a 12-year period.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION: On January 30, 2008, the Corporation voted to approve this item as presented. On March 5 and on March 13, 2008, the Disclosure Practices Working Group discussed and approved the Preliminary Official Statement relating to the proposed Housing Bonds.

001378

Honorable Chair and Members of the Redevelopment Agency
Council President and City Council
Docket of April 15, 2008
Page -2-

CENTRE CITY ADVISORY COMMITTEE RECOMMENDATION: None.

OTHER RECOMMENDATIONS: None.

KEY STAKEHOLDERS AND PROJECT IMPACTS: The Agency is authorized to issue bonds for the purpose of financing the costs of a redevelopment project pursuant to Part I commencing with Section 33000 of Division 24 of the California Health and Safety Code of the State of California.

The proceeds by the sale of the bonds will be used for various low and moderate income housing projects including, but not limited to, the Ninth and Broadway development, land acquisition for a permanent homeless shelter, supportive housing, and other projects that may be feasible.

Presently, interest rates are favorable and it recommended that the proposed tax allocation bonds be issued.

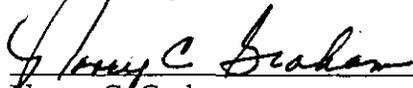
The City Council, in a companion item, is required to adopt a resolution authorizing the Agency to issue bonds. The current schedule anticipates this item to be heard by Public Facilities Financing Authority in late April, a sale of bonds in May, and a closing in late May.

Respectfully submitted,



Frank J. Alessi
Vice President and Chief Financial Officer

Concurred by:



Nancy C. Graham
President

Attachments: A - Preliminary Official Statement ("POS")
B - Trust Indenture (Appendix C of POS)
C - Continuing Disclosure Agreements (Appendix F of POS)
D - Purchase Contract

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001379

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE FINANCING OF THE CENTRE CITY REDEVELOPMENT PROJECT BY THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

WHEREAS, the Redevelopment Agency of the City of San Diego, a public body, corporate and politic [Agency] is authorized pursuant to Part 1 (commencing with Section 33000) Division 24 of the Health and Safety Code of the State of California [Law] to issue any obligations for its corporate purposes; and

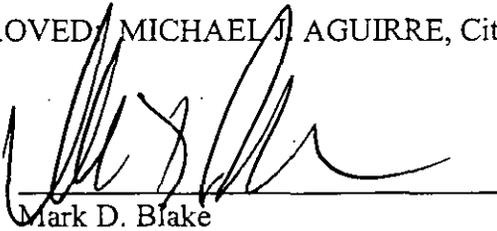
WHEREAS, the Agency, in order to provide for the financing of the Centre City Redevelopment Project [Project Area], has indicated its intention to issue up to \$69,000,000 of its obligations, tentatively titled Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2008A (Taxable) [Bonds], the proceeds of which will be used to finance new projects relating to low and moderate income housing within the Project Area; NOW, THEREFORE,

BE IT RESOLVED by the Council of the City of San Diego as follows:

1. That the Council hereby approves the issuance of the Bonds as determined by the Agency.
2. That this Resolution shall take effect immediately upon adoption.

APPROVED MICHAEL J. AGUIRRE, City Attorney

By



Mark D. Blake
Chief Deputy City Attorney

MDB:jdf
03/27/08
Or.Dept:RDA
R-2008-831

001380

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved: _____
(date)

JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

TRUST INDENTURE

between the

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

and

DEUTSCHE BANK NATIONAL TRUST COMPANY, as Trustee

Dated as of April 1, 2008

Relating to

\$ _____

Centre City Redevelopment Project
Tax Allocation Housing Bonds, Series 2008A (Taxable)

001383

TABLE OF CONTENTS

ARTICLE I DEFINITIONS	2
<u>Section 1.01. Definitions</u>	2
<u>Section 1.02. Content of Certificates and Opinions</u>	12
<u>Section 1.03. Article and Section Headings and References</u>	13
ARTICLE II THE BONDS.....	13
<u>Section 2.01. Authorization of Bonds</u>	13
<u>Section 2.02. Terms of the Bonds</u>	14
<u>Section 2.03. Form of Bonds</u>	15
<u>Section 2.04. Execution of Bonds</u>	15
<u>Section 2.05. Transfer of Bonds</u>	15
<u>Section 2.06. Exchange of Bonds</u>	16
<u>Section 2.07. Bond Register</u>	16
<u>Section 2.08. Temporary Bonds</u>	16
<u>Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen</u>	16
<u>Section 2.10. Cancellation of Bonds</u>	17
<u>Section 2.11. CUSIP Numbers</u>	17
<u>Section 2.12. Book-Entry Bonds</u>	17
ARTICLE III APPLICATION OF PROCEEDS AND PARITY BONDS	19
<u>Section 3.01. Application of Proceeds of the Bonds</u>	19
<u>Section 3.02. Establishment and Maintenance of Project Fund</u>	19
<u>Section 3.03. Issuance of Parity Bonds</u>	19
<u>Section 3.04. Proceedings for Issuance of Parity Bonds</u>	20
<u>Section 3.05. Issuance of Senior Lien Debt</u>	21
ARTICLE IV REDEMPTION.....	21
<u>Section 4.01. Terms of Redemption</u>	21
<u>Section 4.02. Selection of Bonds for Redemption</u>	22
<u>Section 4.03. Notice of Redemption; Rescission</u>	23
<u>Section 4.05. Effect of Redemption</u>	24
<u>Section 4.06. Open Market Purchase of Bonds</u>	24
ARTICLE V THE TAX REVENUES; SPECIAL FUND AND ACCOUNTS; SURPLUS.....	24
<u>Section 5.01. Pledge of Pledged Housing Tax Revenues</u>	24
<u>Section 5.02. Housing Special Fund; Deposit of Pledged Housing Tax Revenues</u>	25
<u>Section 5.03. Establishment and Maintenance of Accounts</u>	25
<u>Section 5.04. Redemption Fund</u>	28
<u>Section 5.05. Draws on the Surety Bond</u>	28
ARTICLE VI COVENANTS OF THE AGENCY.....	28
<u>Section 6.01. Punctual Payment</u>	28
<u>Section 6.02. Extension of Time for Payment</u>	28
<u>Section 6.03. Against Encumbrances</u>	28
<u>Section 6.04. Protection of Security and Rights of Bondowners</u>	29
<u>Section 6.05. Payments of Taxes and Other Charges</u>	29
<u>Section 6.06. Compliance with Law, Completion of Project</u>	29
<u>Section 6.07. Financial Statements</u>	29
<u>Section 6.08. Taxation of Leased Property</u>	29

001384

Section 6.09.	<u>Disposition of Property</u>	30
Section 6.10.	<u>Housing Tax Revenues</u>	30
Section 6.11.	<u>Use of Proceeds</u>	30
Section 6.12.	<u>Further Assurances</u>	30
Section 6.13.	<u>Limit on Indebtedness</u>	30
Section 6.14.	<u>Continuing Disclosure</u>	31
Section 6.15.	<u>Amendment of Redevelopment Plan</u>	31
ARTICLE VII	THE TRUSTEE; INVESTMENT OF MONEYS.....	31
Section 7.01.	<u>Duties, Immunities and Liabilities of Trustee</u>	31
Section 7.02.	<u>Merger or Consolidation</u>	33
Section 7.03.	<u>Liability of Trustee</u>	33
Section 7.04.	<u>Right to Rely on Documents</u>	34
Section 7.05.	<u>Preservation and Inspection of Documents</u>	35
Section 7.06.	<u>Compensation and Indemnification</u>	35
Section 7.07.	[Reserved].....	35
Section 7.08.	<u>Deposit and Investment of Moneys in Fund</u>	35
Section 7.09.	<u>Accounting Records and Financial Statements</u>	36
Section 7.10.	<u>Appointment of Co-Trustee or Agent</u>	36
ARTICLE VIII	MODIFICATION OR AMENDMENT OF THE INDENTURE.....	37
Section 8.01.	<u>Amendments Permitted</u>	37
Section 8.02.	<u>Bondowners' Meetings</u>	38
Section 8.03.	<u>Procedure for Amendment with Written Consent of Bondowners</u>	38
Section 8.04.	<u>Disqualified Bonds</u>	39
Section 8.05.	<u>Effect of Supplemental Indenture</u>	39
Section 8.06.	<u>Endorsement or Replacement of Bonds Issued After Amendments</u>	40
Section 8.07.	<u>Amendatory Endorsement of Bonds</u>	40
Section 8.08.	<u>Notice to Rating Agency</u>	40
Section 8.09.	<u>Opinion of Counsel</u>	40
ARTICLE IX	EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS.....	40
Section 9.01.	<u>Events of Default and Acceleration of Maturities</u>	40
Section 9.02.	<u>Application of Funds</u>	42
Section 9.03.	<u>Power of Trustee to Control Proceedings</u>	43
Section 9.04.	<u>Limitation on Bondowners' and Insurer's Right to Sue</u>	43
Section 9.05.	<u>Non-waiver</u>	43
Section 9.06.	<u>Actions by Trustee as Attorney in Fact</u>	44
Section 9.07.	<u>Remedies Not Exclusive</u>	44
Section 9.08.	<u>Rights of Insurer in the Event of Insolvency</u>	45
Section 9.09.	<u>Rights of Insurer to Control Proceedings</u>	45
Section 9.10.	<u>Effect of Insurance Policy</u>	45
[ARTICLE X	BOND INSURANCE PROVISIONS.....	45
Section 10.01.	<u>Claims Upon the Insurance Policy and Payments by and to the Insurer</u>	45
Section 10.02.	<u>Rights of the Insurer</u>	45
Section 10.03.	<u>When Consent of Insurer is Required</u>	47
ARTICLE XI	MISCELLANEOUS.....	47
Section 11.01.	<u>Benefits of Indenture Limited to Parties</u>	47
Section 11.02.	<u>Successor is Deemed Included in All References to Predecessor</u>	47

Section 11.03. Discharge of Indenture.....47
Section 11.04. Execution of Documents and Proof of Ownership by Bondowners.....48
Section 11.05. Waiver of Personal Liability.....49
Section 11.06. Destruction of Canceled Bonds.....49
Section 10.07. Notices and Demands on Agency.....49
Section 11.08. [Reserved].....50
Section 11.09. Partial Invalidity.....50
Section 11.10. Effective Date of Indenture.....50
Section 11.11. Governing Law.....50
Section 11.12. Unclaimed Moneys.....50
Section 11.13. Execution in Counterparts.....51

APPENDIX A--FORM OF BOND

TRUST INDENTURE

THIS TRUST INDENTURE (the "Indenture") is made and entered into as of April 1, 2008, by and between the Redevelopment Agency of the City of San Diego, a public body, corporate and politic, organized and existing under, and by virtue of, the laws of the State of California (the "Agency"), and Deutsche Bank National Trust Company, a national banking association organized and existing under the laws of the United States and authorized to accept and execute trust indentures of the character herein set out, as trustee (the "Trustee"),

WITNESSETH:

WHEREAS, the Agency is a redevelopment agency, a public body, corporate and politic, duly created, established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California (the "Law"), including the power to issue bonds, notes and other obligations for any of its corporate purposes;

WHEREAS, a redevelopment plan for a redevelopment project known and designated as the "Centre City Redevelopment Project" (the "Project Area") has been adopted and approved and all requirements of the Law for, and precedent to, the adoption and approval of said plan have been duly complied with; and

WHEREAS, the plan contemplates that the Agency will issue its bonds, including taxable bonds, to finance a portion of the cost of such redevelopment; and

WHEREAS, pursuant to a Trust Indenture, dated as of July 1, 2004 (the "2004 Indenture"), the Agency has issued its Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2004C (Taxable) and its Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2004D (Taxable) (collectively, the "Series 2004 Bonds"), all for the purpose of financing and refinancing the acquisition and construction of certain low and moderate housing improvements; and

WHEREAS, pursuant to a Trust Indenture, dated as of June 1, 2006 (the "2006 Indenture"), the Agency has issued its Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2006B (Taxable) (the "Series 2006 Bonds"), all for the purpose of financing and refinancing the acquisition and construction of certain low and moderate housing improvements; and

WHEREAS, the Series 2004 Bonds and the Series 2006 Bonds have a lien on Housing Tax Revenues on parity with the lien of the Bonds; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds (as defined herein), to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the Agency has authorized the execution and delivery of this Indenture; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds (as defined herein), to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the Agency has authorized the execution and delivery of this Indenture; and

WHEREAS, the proceeds of the Bonds (as defined herein) will be used (i) to finance certain improvements relating to, or increasing the supply of, low and moderate income housing in the Project Area and such other areas as authorized by the Law; (ii) to provide, in whole or in part, for a reserve fund for the Bonds; and (iii) to provide for the costs of issuing the Bonds; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the Agency, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Agency, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, and the interest and premium, if any, on, all the Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Agency does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture, of any Indenture supplemental hereto, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified (all references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture, and the words "wherein," "whereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof):

"Additional Allowance" means, as of the date of calculation the amount of Tax Revenues that, as shown in the Report of an Independent Financial Consultant, are, assuming a tax rate of 1%, estimated to be receivable by the Agency within the Fiscal Year following the

Fiscal Year in which such calculation is made as a result of increases in Development Value (but only to the extent it exceeds Assessment Appeals).

“Additional Funding Instrument” shall have meaning set forth in Section 5.05 hereof.

“Agency” means the Redevelopment Agency of the City of San Diego, a public body, corporate and politic, established under the Law.

“Annual Debt Service” for the Bonds and any Parity Bonds means, for each Bond Year, the sum of (1) the interest falling due on such Outstanding indebtedness in such Bond Year, assuming that such Outstanding indebtedness is retired as scheduled and that any mandatory sinking fund account payments are made as scheduled, and (2) the principal amount of such Outstanding indebtedness falling due by their terms in such Bond Year including any principal required to be prepaid by operation of mandatory sinking fund payments, together with the redemption premiums, if any, thereon.

“Assessment Appeals” means, as certified in writing by an Independent Financial Consultant, in any Fiscal Year the amount of assessed valuation of taxable property in the Project Area (as shown on the records of the County) which is reduced by assessment appeals on file with the County Assessor’s office, calculated by applying the average settlement rate of such assessment appeals for the three (3) Fiscal Years preceding the date of such calculation to such filed appeals.

“Bond Counsel” means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities and selected by the Agency.

“Bond Year” means, with respect to the Bonds, the twelve-month period ending on September 2 of each year; provided, however, that the first Bond Year shall begin on the Closing Date and end on September 2, 2008.

“Bonds” means the Agency’s Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2008A (Taxable), issued pursuant to this Indenture.

“Book-Entry Depository” shall mean DTC or any successor as Book-Entry Depository for the Bonds, appointed pursuant to Section 2.12.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York and San Francisco, California, are authorized or obligated by law to be closed.

“Chair” means the chair of the Agency appointed pursuant to Section 33113 of the Health and Safety Code of the State of California, or other duly appointed officer of the Agency authorized by the Agency by resolution or Bylaw to perform the functions of the chair in the event of the chair’s absence or disqualification.

“City” means the City of San Diego, California.

“Closing Date” means any date upon which there is a physical delivery of the Bonds in exchange for an amount representing the purchase price of the Bonds by the original purchaser.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement relating to the Bonds between the Agency and the Trustee, acting as dissemination agent, dated as of April 1, 2008, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs; costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Trustee including its first annual administration fee, expenses incurred by the Agency in connection with the issuance of the Bonds, underwriter’s discount, original issue discount, rating agency fees, legal fees and charges, including bond counsel and financial consultants’ fees, costs of cash flow verifications, premiums for any reserve account surety bond the Agency may purchase, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the original issuance of the Bonds.

“County” means the County of San Diego, California.

“County Assessor” means the person who holds the office in the County in which the Agency is located designated as the County Assessor, or one of his duly appointed deputies, or any person or persons performing substantially the same duties in the event said office is ever abolished or changed.

“County Auditor-Controller” means the person who holds the office in the County in which the Agency is located designated as the County Auditor-Controller, or one of his duly appointed deputies, or any person or persons performing substantially the same duties in the event said office is ever abolished or changed.

“Designated Corporate Trust Office” means the Trustee’s designated corporate trust office in Los Angeles, California, or such other office designated by the Trustee from time to time.

“Development Value” means the estimated increase of assessed valuation of taxable property in the Project Area, as calculated and certified to in writing by an Independent Financial Consultant, resulting from completed new construction and completed changes in property ownership.

“DTC” shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

“Executive Director” means the executive director of the Agency appointed pursuant to the Law, or other duly appointed officer of the Agency authorized by the Agency by resolution or by law to perform the functions of the executive director including, without limitation, any assistant executive director of the Agency.

“Event of Default” means any of the events described in Section 9.01 hereof.

“Federal Securities” means direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

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

“Housing Special Fund” means the Fund by that name established by Section 5.02.

“Housing Tax Revenues” means those Tax Revenues which are required to be deposited into the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Law in such Bond Year.

“Indenture” means this Trust Indenture, entered into by the Agency as it may be amended or supplemented by any Parity Bond Indenture adopted pursuant to the provisions hereof.

“Independent Certified Public Accountant” means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State of California, appointed by the Agency, and who, or each of whom:

- (1) is in fact independent and not under domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and
- (3) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Independent Financial Consultant” means any financial consultant or firm of such consultants appointed by the Agency, and who, or each of whom:

- (1) is in fact independent and not under domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and
- (3) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; FIS/Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Call Notification; Standard & Poor’s Securities Evaluation, Inc., 55 Water Street, 45th Floor, New

York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other information services providing information with respect to called bonds as the Agency may designate to the Trustee.

“Insurance Policy” means the municipal bond insurance policy issued by the Insurer guaranteeing the scheduled payment of the principal of and interest on the Bonds.

“Insurer” means _____, a _____, or any successor thereto.

“Interest Account” means the Account by that name established pursuant to Section 5.03.

“Interest Payment Date” means September 1 and March 1 in any year in which Bonds are Outstanding, commencing September 1, 2008.

“Law” means the Community Redevelopment Law of the State of California, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California, and the acts amendatory thereof and supplemental thereto.

“Low and Moderate Housing Account” means the account by that name held by the Trustee established pursuant to Section 3.06 hereof.

“Maximum Annual Debt Service” means, with respect to the Bonds, or, if applicable, a series of Parity Bonds, as of the date of any calculation, the largest Annual Debt Service with respect to such series of Bonds during the current or any future Bond Year.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.04) all Bonds except:

(1) Bonds therefore canceled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of Section 10.03 (regardless of whether all Bonds shall have been so paid or deemed to have been paid); and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture or any Parity Bond Indenture.

“Owner” or “Bondowner” means the person or persons whose name appears on the registration books maintained by the Trustee as the registered owner of a Bond or Bonds.

“Parity Bond Indenture” means the Series 2004 Indenture, the Series 2006 Indenture and any agreement, resolution or other instrument then in full force and effect which

has been duly adopted by the Agency, relating to the issuance of Parity Bonds; but only if and to the extent that such Parity Bond Indenture is specifically authorized hereunder.

“Parity Bonds” means the Series 2004 Bonds, the Series 2006 Bonds and any bonds, notes, loans, advances, or indebtedness issued or incurred by the Agency payable from all or a portion of Pledged Housing Tax Revenues on a parity with the Bonds in accordance with the provisions of Sections 3.03 and 3.04 hereof.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely upon any direction of the Agency as a certification that such investment constitutes a Permitted Investment):

A. Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - U.S. Treasury obligations
 - All direct or fully guaranteed obligations
 - Farmers Home Administration
 - General Services Administration
 - Guaranteed Title XI financing
 - Government National Mortgage Association (GNMA)
 - State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

B. Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank
 - Rural Economic Community Development Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - U.S. Department of Housing & Urban Development (PHAs)
 - Federal Housing Administration
 - Federal Financing Bank

- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
 - Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System
 - Senior debt obligations of other Government Sponsored Agencies approved by the Insurer
- (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);
- (4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;
- (6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and
- (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
 - (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (7) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.

001394

- (8) Investment Agreements approved in writing by the Insurer (supported by appropriate opinions of counsel); and
- (9) other forms of investments (including repurchase agreements) approved in writing by the Insurer.
- (10) The Local Agency Investment Fund of the State or any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment.

C. The value of the above investments shall be determined as follows:

- a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets Inc., Bear Stearns, or Lehman Brothers.
- b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and
- c) As to any investment not specified above: the value thereof established by prior agreement among the Agency, the Trustee, and the Insurer.

"Pledged Housing Tax Revenues" means, for each Bond Year, the first Housing Tax Revenues in an amount that is equal to Annual Debt Service on the Bonds and any Parity Bonds for such Bond Year, plus an amount, if any, equal to the amount required to maintain the Reserve Account at the Reserve Requirement.

"Principal Account" means the Account by that name established pursuant to Section 5.03 hereof.

"Principal Payment Date" means September 1 in each year in which any of the Bonds mature by their respective terms; and with respect to any Parity Bond means the stated maturity dates of such Parity Bond.

"Project" or "Redevelopment Project" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Law for the redevelopment of the Project Area, but only for projects for which the Agency is allowed under the Law to expend amounts on deposit in the Low and Moderate Income Housing Fund.

"Project Area" or "Redevelopment Project Area" means the Project Area described in the Redevelopment Plan.

"Project Fund" means the Fund by that name established by Section 3.02 hereof.

001395

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

“Redemption Fund” means the Fund by that name established by Section 5.04 hereof.

“Redevelopment Consultant” means any consultant or firm of consultants appointed by the Agency and judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to financing in redevelopment project areas, and who, or each of whom:

- (1) is in fact independent and not under domination of the Agency;
- (2) does not have any substantial interest, direct or indirect, with the Agency; and
- (3) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

*“Redevelopment Plan” or “Plan” means the Redevelopment Plan for the Centre City Redevelopment Project, approved and adopted by Ordinance No. O-17767 adopted on May 11, 1992, as amended by Ordinance No. O-18119 (New Series), adopted November 28, 1994, Ordinance No. O-18145 (New Series), adopted January 9, 1995, Ordinance No. O-18708 (New Series), adopted November 8, 1999, Ordinance No. O-18710 (New Series), adopted November 8, 1999, Ordinance No. O-18720 (New Series), adopted November 22, 1999, Ordinance No. O-18843 (New Series), adopted September 12, 2000, Ordinance No. O-19132, adopted December 10, 2002, Ordinance Nos. O-19270 and O-19271, adopted April 12, 2004, Ordinance No. O-19472, adopted April 3, 2006 and Ordinance No. O-19479, adopted April 7, 2006 in accordance with the Law.

“Report” means a Report in writing signed by an Independent Certified Public Accountant, Independent Financial Consultant or Redevelopment Consultant and including

- (1) a statement that the person or firm making or giving such Report has read the pertinent provisions of this Indenture to which such Report relates;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and
- (3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

“Reserve Account” means the account by that name established pursuant to Section 5.03 hereof.

* Any further amendments?

“Reserve Requirement” with respect to the Bonds as of the Closing Date, an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of the Bonds; (ii) Maximum Annual Debt Service on the Outstanding Bonds; or (iii) 125% of average Annual Debt Service on the Bonds, and thereafter means an amount equal to the lesser of the initial Reserve Requirement or Maximum Annual Debt Service on the Outstanding Bonds.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Agency may designate in a Written Request of the Agency delivered to the Trustee.

“Serial Bonds” means all of the Bonds other than the Term Bonds.

“Series 2004 Bonds” means the Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2004C (Taxable) and its Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2004D (Taxable) issued pursuant to the Series 2004 Indenture.

“Series 2006 Bonds” means the Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2006B (Taxable), issued pursuant to the Series 2006 Indenture.

“Series 2004 Indenture” means the Trust Indenture, dated as of July 1, 2004, relating to the issuance of the Series 2004 Bonds.

“Series 2006 Indenture” means the Trust Indenture, dated as of June 1, 2006, relating to the issuance of the Series 2006 Bonds.

“State” means the State of California.

[“Surety Bond” shall mean the surety bond issued by the Insurer guaranteeing certain payments into the Reserve Account with respect to the Bonds as provided therein and subject to the limitations set forth therein.]

“Tax Revenue Certificate” means a written certificate of the Agency identifying the amount of Tax Revenues shown on the records of the County Assessor to be received by the Agency in either the current Bond Year or the next Bond Year, and including the Additional Allowance in the case of a Tax Revenue Certificate relating to the next Bond Year.

“Tax Revenues” means all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan, but excluding payments, if any, made to the County of San Diego as an administrative fee.

“Term Bonds” means the Bonds originally issued hereunder maturing on September 1, 20____, September 1, 20____, or September 1, 20____; and with respect to any Parity

Bonds, means such Parity Bonds which are payable on or before their specified Principal Payment Dates from sinking account payments established for that purpose and calculated to retire such Parity Bonds on or before their respective Principal Payment Dates.

“Treasurer” means the Treasurer of the Agency appointed pursuant to the Law, or other duly appointed officer of the Agency authorized by the Agency by resolution delivered to the Trustee or by law to perform the functions of the treasurer including, without limitation, the Assistant Treasurer of the Agency and the City Treasurer.

“Trustee” means Deutsche Bank National Trust Company, appointed by the Agency and acting as an independent trustee with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01.

“Written Request of the Agency” means an instrument in writing signed by either the Chair, the Executive Director or Assistant Executive Director of the Agency or the President or Chief Financial Officer of the Centre City Development Corporation, or by any other officer of the Agency duly authorized by the Agency for that purpose.

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in this Indenture with respect to compliance with any provision hereof, excluding the certificate of destruction pursuant to Section 11.06 hereof, shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the Agency may be based, insofar as it relates to a legal or accounting matter, upon a certificate or opinion of or representation by Bond Counsel or an Independent Financial Consultant, Independent Certified Public Accountant or a Redevelopment Consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by Bond Counsel or an Independent Financial Consultant, Independent Certified Public Accountant or a Redevelopment Consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Agency) upon a certificate or opinion of or representation by an officer of the Agency, unless such Bond Counsel or an Independent Financial Consultant, Independent Certified Public Accountant or Redevelopment Consultant knows, or in the exercise of reasonable care, should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate of said opinion or representation may be based is erroneous. The same officer of the Agency, or the same Bond Counsel or Independent Financial Consultant, Independent Certified Public Accountant or Redevelopment Consultant, as the case may be, need not certify to all of the matters required to be certified under any provision

of this Indenture, but different officers, Bond Counsel or Independent Financial Consultant, Independent Certified Public Accountant or Redevelopment Consultants may certify to different matters.

Section 1.03. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "wherein," "thereof," "whereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds. Bonds in the aggregate principal amount of \$_____ may be issued at any time under and subject to the terms of this Indenture. All acts, conditions and things required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Agency is duly authorized, pursuant to each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

Section 2.02. Terms of the Bonds.

The Bonds shall be designated "Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2008A (Taxable)." The Bonds shall be issued only as registered bonds without coupons in denomination of \$5,000 or any integral multiple thereof. The Bonds shall be dated as of the Closing Date, and shall be issued in the principal amounts, bear interest at the rates and mature on September 1 in each of the years as set forth below:

Maturity Date
(September 1)

Principal
Amount

Interest
Rate

Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months and shall be payable on each Interest Payment Date until maturity or prior redemption as provided herein. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from

001399

such Interest Payment Date, or unless it is authenticated on or before August 15, 2008, in which event it shall bear interest from the Closing Date; provided, however, if at the time of authentication interest is in default, the Bond shall bear interest from the Interest Payment Date to or for which interest has been paid or provided.

The interest on and principal of and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America upon presentation and surrender of such Bonds at maturity or earlier redemption at the Designated Corporate Trust Office of the Trustee. All such payments of interest on and principal of and redemption premiums, if any, on the Bonds shall be valid and effective to satisfy and discharge the liability on such Bonds to the extent of the sum or sums so paid. Interest on the Bonds shall be paid by check mailed by first class mail on such Interest Payment Date to the persons whose names appear on the bond registration books of the Trustee as the registered owners of such bonds at the close of business on the 15th day of the month (whether or not a Business Day) preceding each such Interest Payment Date at such persons' addresses as they appear on such registration books; provided, however, that upon the written request of an owner of not less than \$1,000,000 aggregate principal amount of the Bonds received by the Trustee not less than three business days prior to said 15th day of the month, interest shall be paid by wire transfer to an account within the United States specified by such owner.

Any interest not paid when due or duly provided for shall forthwith cease to be payable to the registered owner as of the Record Date immediately preceding the applicable Interest Payment Date and shall be paid to the person in whose name the Bond is registered as of the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee. The Trustee shall give notice of such special record date to the Owner not less than ten (10) days prior thereto.

Section 2.03. Form of Bonds. The Bonds, the form of Trustee's certificates of authentication and registration, and assignment to appear thereon, shall be substantially in the form set forth on Exhibit A hereto, with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

Section 2.04. Execution of Bonds. The Bonds shall be executed on behalf of the Agency by the manual or facsimile signatures of its Chair, Executive Director or Assistant Executive Director and its Secretary who are in office on the date of adoption of this Indenture or at any time thereafter, and the seal of the Agency shall be impressed, imprinted or reproduced by facsimile thereon. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the purchaser. Any Bond may be signed and attested on behalf of the Agency by such persons as at the actual date of the execution of such Bond shall be the proper officers of the Agency although at the nominal date of such Bond any such person shall not have been such officer of the Agency.

The Trustee shall authenticate the Bonds upon the Written Request of the Agency. Only such Bonds as shall bear thereon a certificate of authentication in the form hereinbefore recited, manually executed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive

001400

evidence that the Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.05. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Trustee for such purpose, by the person in whose name it is registered in person or by his duly authorized attorney upon surrender of such Bond for cancellation accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee duly executed.

Whenever any Bond or Bonds shall be surrendered for transfer the Agency shall execute and the Indenture shall deliver a new Bond or Bonds for like aggregate principal amount of authorized denominations and of the same Series and maturity. The Trustee shall require the Owner requesting such registration of transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The Trustee may also require the Owner requesting such registration of transfer to pay a reasonable sum as may be necessary to cover any customary expenses incurred and fees charged by the Trustee or the Agency with respect to such registration of transfer.

No transfers of Bonds shall be required to be made (i) during the period fifteen days prior to the date established by the Trustee for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Section 2.06. Exchange of Bonds. Bonds may be exchanged at the corporate trust office of the Trustee in Los Angeles, California, for a like aggregate principal amount of Bonds of authorized denominations and of the same Series and maturity. The Trustee shall require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The Trustee may also require the Owner requesting such exchange to pay a reasonable charge as may be necessary to cover customary expenses incurred and fees charged by the Trustee or the Agency with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) during the period fifteen days prior to the date established by the Trustee for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Section 2.07. Bond Register. The Trustee will keep or cause to be kept, at its corporate trust office in Los Angeles, California, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Agency during normal business hours upon reasonable notice; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books Bonds as hereinbefore provided.

Section 2.08. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Agency, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Agency upon the same conditions and in substantially the same manner as the definitive Bonds.

001401

If the Agency issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation in exchange therefor at the corporate trust office of the Trustee in Los Angeles, California, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations and of the same Series and maturity or maturities. Until so exchanged the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated the Agency, at the expense of the Owner of said Bond, shall execute and the Trustee shall thereupon deliver a new Bond of like series, tenor and principal amount in exchange and substitution for the Bond so mutilated but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Agency and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the Agency, at the expense of the Owner, shall execute and the Trustee shall thereupon authenticate and deliver a new Bond of like series, tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Agency may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Agency and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Agency whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued pursuant to this Indenture.

Section 2.10. Cancellation of Bonds. All Bonds properly surrendered to the Trustee for payment upon maturity or for redemption shall upon payment therefor or redemption thereof be canceled immediately as more particularly provided in Section 11.06 hereof.

Section 2.11. CUSIP Numbers. "CUSIP" identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the Agency to use such CUSIP numbers in any notice to Owners shall not constitute an Event of Default or any violation of the Agency's contract with such Owners and shall not impair the effectiveness of any such notice.

Section 2.12. Book-Entry Bonds.

(a) The Bonds shall be initially issued in the form of a single, separate fully registered Bond (which may be typewritten) in the full aggregate principal amount for each maturity of the Bonds, and upon initial issuance, the ownership of such Bonds shall be registered in the Bond register in the name of Cede & Co., as nominee of DTC, the initial Book-Entry Depository. Except as provided in the immediately preceding sentence or in subsection (e) of this Section, all of the Bonds shall be registered in the Bond register in the name of Cede & Co.,

or such other nominee of DTC or any successor Book-Entry Depository or the nominee thereof, as shall be specified pursuant to the applicable Representation Letter.

(b) With respect to Bonds registered in the Bond register in the name of the Book-Entry Depository, or its nominee, the Agency shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Agency shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Book-Entry Depository, the nominee of the Book-Entry Depository or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than a Bond owner as shown in the Bond register, of any notice with respect to the Bonds, or (iii) the payment to any Participant or any other person, other than an Owner as shown in the Bond register, of any amount with respect to principal of or interest on the Bonds. The Agency may treat and consider the person in whose name each Bond is registered in the Bond register as the Owner and absolute owner of such Bond for the purpose of payment of principal and interest on such Bond and for all other purposes whatsoever.

(c) The Trustee shall pay all principal of and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Bond register on the applicable Record Date, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the obligations with respect to the payment of principal of and interest on the Bonds under this Indenture and the Bonds to the extent of the sums so paid. Upon delivery by the Book-Entry Depository to the Agency of written notice to the effect that the Book-Entry Depository has determined to substitute a new nominee in place of the incumbent nominee, and subject to the provisions herein with respect to Record Dates, the word nominee in this Indenture shall refer to such new nominee of the Book-Entry Depository.

(d) In order to qualify the Bonds for the Book-Entry Depository's book-entry system, the Executive Director of the Agency is hereby authorized to execute and deliver on behalf of the Agency to the Book-Entry Depository a Representation Letter representing such matters as shall be necessary to so qualify the Bonds.

The execution and delivery of the Representation Letter shall not in any way limit the provisions of subsection (b) of this Section or in any other way impose upon the Agency any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners as shown in the Bond register. In addition to the execution and delivery of the Representation Letter, the officers of the Agency, and their authorized representatives, each are hereby authorized to take any other actions, not inconsistent with this Indenture, to qualify the Bonds for each Book-Entry Depository's book-entry program.

(e) In the event (i) the incumbent Book-Entry Depository determines not to continue to act as Book-Entry Depository for the Bonds, or (ii) the Agency determines that the incumbent Book-Entry Depository shall no longer so act, and delivers a written certificate to the incumbent Book-Entry Depository to that effect, then the Agency will discontinue the book-entry system for the Bonds with the incumbent Book-Entry Depository. If the Agency determines to replace the incumbent Book-Entry Depository with another qualified Book-Entry Depository, the Agency shall prepare or direct the preparation of and execute, and the Trustee

001403

shall authenticate and deliver, a new single, separate fully registered bond (which may be typewritten) for the aggregate outstanding principal amount for each maturity of the Bonds held by the incumbent Book-Entry Depository, registered in the name of such successor or substitute qualified Book-Entry Depository or its nominee, or make such other arrangement acceptable to the Agency and the successor Book-Entry Depository as are not inconsistent with the terms of this Indenture. If the Agency fails to identify another qualified successor Book-Entry Depository to replace the incumbent Book-Entry Depository, then the Bonds shall no longer be restricted to being registered in the Bond register in the name of the Book-Entry Depository or its nominee, but shall be registered in whatever name or names the Book-Entry Depository or its nominee shall designate. In such event the Agency shall prepare or direct the preparation of and execute, and the Indenture shall authenticate and deliver to the Owners thereof, such Bonds as are necessary to carry out the transfers and exchanges provided in this Indenture. All such Bonds shall be in fully registered form in denominations authorized hereunder.

(f) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Book-Entry Depository or its nominee, all notices and payments with respect to principal of and interest on such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Book-Entry Depository.

ARTICLE III

APPLICATION OF PROCEEDS AND PARITY BONDS

Section 3.01. Application of Proceeds of the Bonds.

The net proceeds received by the Trustee from the sale of the Bonds, being the amount of \$_____ (principal amount of \$_____, [less net original issue discount] [plus net original issue premium] of \$_____, less an underwriter's discount of \$_____, and less the amount of \$_____ wired to the Insurer at the direction of the Agency as premium for the Insurance Policy [and Surety Bond]), shall be paid to the Trustee who shall forthwith transfer the amount of \$_____ to the Agency, or at the direction of the Agency, for deposit in the Project Fund, which includes \$_____ for payment of Costs of Issuance.

Section 3.02. Establishment and Maintenance of Project Fund.

There is hereby established a fund entitled the "Centre City Series 2008 (Taxable) Housing Project Fund" (the "Project Fund") which shall be held and administered by the Agency in accordance with this Indenture. The Agency shall deposit in the Project Fund the amounts described in Section 3.01(2) above. All such proceeds and all investment earnings thereon shall be disbursed and expended for eligible costs of the Redevelopment Project, including payment of Costs of Issuance.

Section 3.03. Issuance of Parity Bonds. In addition to the Bonds, the Agency may, by a Parity Bond Indenture, issue Parity Bonds payable from all or a portion of Pledged Housing Tax Revenues as and to the extent provided in this Indenture and secured by the pledge

001404

of such Pledged Housing Tax Revenues made under this Indenture equally and ratably with the Bonds. The Agency may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Parity Bonds, in such principal amount as shall be determined by the Agency, but only upon compliance by the Agency with the provisions of Section 3.03 and Section 3.04 hereof and any additional requirements set forth in said Parity Bond Indenture and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

(a) No Event of Default shall have occurred and then be continuing;

(b) A Tax Revenue Certificate shall be delivered to the Trustee stating that the Housing Tax Revenues to be received by the Agency in the then current Bond Year, based upon the most recent assessed valuation of taxable property in the Project Area and as shown on the records of the County and assuming a property tax rate of one percent (1%), plus, at the option of the Agency, the Additional Allowance if any Additional Allowance is identified in a Report of Independent Financial Consultant or Redevelopment Consultant delivered to the Trustee, are at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service on all Bonds and Parity Bonds which will be Outstanding following the issuance of such Parity Bonds.

(c) The Agency shall certify to the Trustee that the aggregate amount of the principal of and interest on all Outstanding Bonds and other Agency indebtedness secured by a lien on Housing Tax Revenues coming due and payable following the issuance of such Parity Bonds shall not exceed the maximum amount of Housing Tax Revenues permitted under the Redevelopment Plan to be allocated and paid to the Agency following the issuance of such Parity Bonds;

(d) The Parity Bond Indenture authorizing the issuance of Parity Bonds shall provide that (i) interest on such Parity Bonds shall be payable on March 1 and September 1 in each year of the term of such Parity Bonds, and (ii) the principal of such Parity Bonds shall be payable on September 1 in any year, as determined by the Agency, in which principal is payable;

(e) On the date of delivery of the Parity Bonds to the original purchaser thereof, money shall be deposited in a reserve account (or a reserve fund letter of credit, bank insurance policy or other comparable credit facility provided) in an amount necessary to increase the amount in such reserve account to the Reserve Requirement for such Parity Bonds, calculated on the same basis as the Reserve Requirement for the Bonds; and

(f) The Agency shall deliver to the Trustee a certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Bonds set forth in the Indenture have been satisfied and that the deposit into the Reserve Account as set forth above has been made.

Notwithstanding anything in this Indenture to the contrary, the Agency may issue Parity Bonds for the purpose of refunding in whole or in part one or more series of Outstanding Bonds or Parity Bonds without complying with paragraph 3.03(b) above if Maximum Annual Debt Service for such Bonds or Parity Bonds is reduced as a result of such refunding.

Section 3.04. Proceedings for Issuance of Parity Bonds. Whenever the Agency shall determine to issue Parity Bonds pursuant to Section 3.03, the Agency shall authorize the execution of a Parity Bond Indenture specifying the principal amount and prescribing the form of such Parity Bonds and providing the terms, conditions, distinctive designation, denominations, date, maturity date or dates, interest rate or rates (or the manner of determining same), redemption provisions and place or places of payment of principal or of premium (if any) and interest on such Parity Bonds, and any other provisions respecting the Parity Bonds not inconsistent with the terms of this Indenture.

In connection with the issuance of such Parity Bonds, the Agency shall file the following documents with the Trustee and the Insurer:

(a) An executed copy of the Parity Bond Indenture authorizing such Bonds.

(b) A Written Certificate of the Agency stating that, to the knowledge of the Agency, no Event of Default has occurred and is then continuing.

(c) An opinion of Bond Counsel that the execution of the Parity Bond Indenture has been duly authorized by the Agency in accordance with this Indenture; that the Parity Bonds, when duly executed by the Agency and authenticated and delivered by the Trustee, will be legally valid and binding limited obligations of the Agency; and, if applicable, that the issuance of such Parity Bonds will not in and of itself impair the exclusion for federal income tax purposes of interest on any Outstanding Parity Bonds.

(d) A written certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Bonds set forth in Section 3.03 have been satisfied.

Section 3.05. Issuance of Senior Lien Debt. The Agency hereby covenants not to issue any additional obligations with a lien on Housing Tax Revenues senior to the lien of the Bonds.

ARTICLE IV

REDEMPTION

Section 4.01. Terms of Redemption.

(a) Optional Redemption of Bonds. The Bonds maturing before September 1, 20__ are not subject to call and redemption prior to maturity. The Bonds maturing on or after September 1, 20__ shall be subject to call and redemption prior to maturity, at the option of the Agency, as a whole on any date or in part on any Interest Payment Date, among maturities as

001406

shall be determined by the Agency, and by lot within each maturity (each Bond being deemed to be composed of \$5,000 portions with each such portion being separately redeemable), from funds derived by the Agency from any source, on or after September 1, 20____, at the redemption price for each redeemed Bond calculated as the principal amount thereof to be redeemed, with accrued interest to the date of redemption, without premium.

(b) Sinking Fund Redemption of Bonds. The Bonds maturing September 1, 20____ shall be subject to mandatory sinking fund redemption in part, by lot, commencing on September 1, 20____, from mandatory sinking fund payments set aside in the Principal Account, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below:

Payment Dates
(September 1)

Amount

In the event that all or a portion of the principal installments of the Term Bonds of the same maturity have been prepaid by the Agency and any Term Bonds of the same maturity have thus been redeemed, the total amount of all future sinking fund payments set forth in the preceding schedule for the related Term Bonds of that maturity will be reduced by the aggregate principal amount of the Term Bonds of such maturity so redeemed, to be allocated among each sinking fund payment for the Term Bonds of that maturity on a pro rata basis in integral multiples of \$5,000 as determined by the Trustee. In lieu of depositing cash with the Trustee as a mandatory sinking fund payment, the Agency shall have the option to tender to the Trustee for cancellation at least sixty (60) days prior to a sinking fund redemption date any amount of Term Bonds purchased by the Agency which Term Bonds may be purchased by the Agency at public or private sale as and when and at such prices as the Agency may in its discretion determine, or to direct the Trustee to use a portion of the moneys held in the Housing Special Fund for such redemptions to purchase Term Bonds, at the direction of the Agency, in the open market at a price or prices not in excess of the principal amount thereof (plus applicable accrued interest). The par amount of any Term Bonds so purchased by the Agency or the Trustee in any twelve-month period ending on September 1, in any calendar year shall be credited towards and shall reduce the next mandatory sinking fund payments required to be made in the order in which they are required to be made pursuant to this Section 4.01(b).

Section 4.02. Selection of Bonds for Redemption. Except as otherwise provided herein, whenever provision is made in this Indenture for the redemption of less than all of the Bonds of any series or any given portion thereof, the Trustee shall select the Bonds to be redeemed from all Bonds subject to redemption or such given portion thereof equal to a multiple of \$5,000 not previously called for redemption by lot in any manner which the Agency, in its

sole discretion, shall direct to the Trustee in writing. The Trustee shall promptly notify the Agency in writing of the Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption; Rescission. Notice of redemption shall be given by the Trustee for and on behalf of the Agency, not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail to each of the Insurer and the Owners designated for redemption at their addresses appearing on the Bond registration books of the Trustee on the date such Bonds are selected for redemption. Each notice of redemption shall (a) state the redemption date; (b) state the redemption price; (c) state the place or places of redemption; (d) state the CUSIP numbers of the Bonds to be redeemed, the individual number of each Bond to be redeemed or that all Bonds between two stated numbers (both inclusive) or that all of the Bonds are to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed; (e) state that on the redemption date there will become due and payable on each Bond the redemption price thereof and that from and after such redemption date interest thereon shall cease to accrue; and (f) require that such Bonds be then surrendered, with a written instrument of transfer duly executed by the Owner thereof or by his attorney duly authorized in writing if payment is to be made to a Person other than the Owner.

Additionally, on the date on which the notice of redemption is mailed to the Owners of the Bonds pursuant to the provisions above, such notice of redemption shall be given by (i) first class mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories and to one or more of the Information Services as shall be designated in writing by the Agency to the Trustee and to any additional Information Services.

The actual receipt of notice of such redemption by the Owner of any Bond shall not be a condition precedent to redemption, and failure to receive such notice or any defect therein shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the redemption date. A certificate by the Trustee that notice of call and redemption has been given to Owners of the Bonds as herein provided shall be conclusive as against all parties, and no Bondowner whose Bond, or portion thereof, is called for redemption may object to the cessation of interest on the redemption date fixed by any claim or showing that he failed to receive actual notice of call and redemption.

Notice of redemption of Bonds shall be given by the Trustee at the expense of the Agency.

The Agency 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 such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The Agency 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.

001408

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Bond or Bonds of authorized denominations, and of the same maturity and Series and equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 4.05. Effect of Redemption. When notice of redemption has been given substantially as provided above and when the amount necessary for the redemption of the Bonds called for redemption (principal and premium, if any) is set aside for that purpose in the Redemption Fund, as provided in Section 5.04 hereof, and when interest accrued and to accrue to the redemption date has been set aside for that purpose in the Interest Account, the Bonds designated for redemption shall become due and payable on the redemption date thereof at the place specified in the notice of redemption. Such Bonds shall be redeemed and paid at said redemption price out of the Redemption Fund and no interest will accrue on such Bonds called for redemption from and after the redemption date specified in such notice. The Owners of said Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the premium thereon, if any, only to the Redemption Fund.

All Bonds redeemed shall forthwith be canceled by the Trustee and shall not be reissued. All unpaid interest with respect to the Bonds payable at or prior to the redemption date shall continue to be payable to the respective Owners thereof, or their order, but without interest thereon.

Section 4.06. Open Market Purchase of Bonds. The Agency may at any time buy Bonds, of any Series at public or private sale at a price which, inclusive of brokerage fees, will not exceed the par amount of the Bonds so purchased, plus any applicable premium and any Bonds so purchased shall be tendered to the Trustee for cancellation. Term Bonds so purchased may be credited against sinking fund payments as set forth in Section 4.01 hereof.

ARTICLE V

THE TAX REVENUES; SPECIAL FUND AND ACCOUNTS; SURPLUS

Section 5.01. Pledge of Pledged Housing Tax Revenues. The Bonds shall be secured by a pledge (which pledge shall be effected in the manner and to the extent hereinafter provided) of all of the Pledged Housing Tax Revenues (except as otherwise provided in Section 5.02 hereof), and by a pledge of all of the moneys in the Housing Special Fund, the Interest Account, the Principal Account, the Reserve Account and the Redemption Fund. Pledged Housing Tax Revenues shall be allocated, on a parity basis, to the payment of the principal and interest, and redemption premium, if any, of the Bonds and any Parity Bonds and to the Reserve Account for the purposes set forth in Section 5.03; provided that out of the Pledged Housing Tax Revenues there may be apportioned such amounts for such other purposes as are expressly permitted by Section 5.02. The pledge and allocation of Pledged Housing Tax Revenues is for the exclusive benefit of the Bonds and any Parity Bonds and shall be irrevocable until all of the Bonds have been paid and retired or until moneys have been set aside with the Trustee irrevocably for that purpose.

001409

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

Section 5.02. Housing Special Fund; Deposit of Pledged Housing Tax Revenues.

There is hereby established a special fund to be known as the "Centre City Redevelopment Project Housing Special Fund" (the "Housing Special Fund"), which shall be held by the Trustee. If by August 31 in any year there is not on deposit in the Housing Special Fund Pledged Housing Tax Revenues which, together with other available amounts on deposit in the Housing Special Fund (including investment earnings) equal the amounts required to be transferred by the Trustee for deposit in the Interest Account, Principal Account and the Reserve Account in such Bond Year pursuant to Section 5.03, the Agency shall transfer sufficient Pledged Housing Tax Revenues received in any Bond Year to the Trustee for deposit in the Housing Special Fund promptly upon receipt thereof by the Agency in an amount sufficient to provide for such deposits. Any Pledged Housing Tax Revenues received by the Agency during any Bond Year in excess of the amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account and the Reserve Account in such Bond Year pursuant to Section 5.03, shall be released from the pledge and lien hereunder and may be used for any lawful purpose of the Agency.

All Pledged Housing Tax Revenues and any other amounts at any time paid by the Agency and designated in writing for deposit in the Housing Special Fund shall be held by the Trustee solely for the uses and purposes hereinafter in this Article V set forth and as set forth in any Parity Bond Indenture. So long as any of the Bonds are Outstanding, the Agency shall not have any beneficial right or interest in the Pledged Housing Tax Revenues, except only as provided in this Indenture, and such moneys shall be used and applied as herein set forth.

Section 5.03. Establishment and Maintenance of Accounts. All moneys in the Housing Special Fund shall be transferred and set aside by the Trustee in the following respective special accounts of the Housing Special Fund (each of which is hereby created to be held in trust by the Trustee) in the following order of priority:

(a) Interest Account. At least four (4) Business Days prior to each Interest Payment Date, the Trustee shall transfer from the Housing Special Fund and set aside in the Interest Account an amount which, when added to the amount contained in the Interest Account will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Bonds issued hereunder and then Outstanding. The Trustee shall also deposit in the Interest Account any other moneys received by it from the Agency and designated in writing by the Agency

for deposit in the Interest Account. 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 purchased or redeemed prior to maturity pursuant to this Indenture).

(b) Principal Account. At least four (4) Business Days prior to each Principal Payment Date, the Trustee shall transfer from the Housing Special Fund and set aside in the Principal Account an amount which, when added to the amount contained in the Principal Account will be equal to the principal becoming due and payable on the Bonds on such Principal Payment Date, whether by reason of scheduled maturity or mandatory sinking fund redemption pursuant to Section 4.01(c) and (d) hereof. No deposit need be made into the Principal Account if the amount contained therein is at least equal to the principal to become due on such Principal Payment Date, whether by reason of scheduled maturity or mandatory sinking fund redemption. The Trustee shall also deposit in the Principal Account any other moneys received by it from the Agency and designated in writing by the Agency for deposit in the Principal Account. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds as it shall become due and payable, whether by reason of scheduled maturity or mandatory sinking fund redemption.

(c) Reserve Account. The Reserve Account shall initially be funded, and shall continuously be funded, in an amount equal to the Reserve Requirement. [In lieu of funding the Reserve Account with proceeds of the Bonds, the Agency has caused the Surety Bond to be deposited with the Trustee in the Reserve Account.] Subject to the provisions of Section 5.05 below, at least four (4) Business Days before each Interest Payment Date and after the deposits required pursuant to the preceding subparagraphs have been made, the Trustee shall withdraw from the Housing Special Fund and deposit in the Reserve Account an amount of money, if any, required to maintain the Reserve Account in the full amount of the Reserve Requirement. No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required by this paragraph to be on deposit therein. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account and the Principal Account, in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all the Bonds then Outstanding, except that so long as the Agency is not in default hereunder, any amount in the Reserve Account in excess of the amount required by this paragraph to be on deposit therein on September 2 of each year, except as herein otherwise provided, shall be transferred to the Interest Account. With the prior written consent of the Insurer, the Reserve Requirement may be satisfied by crediting to the Reserve Account moneys, a letter of credit, a bond insurance policy, any other comparable credit facility or any combination thereof, for which the Agency has received

001411

confirmation from any rating agency then rating the Bonds that replacement will not adversely affect the rating on the Bonds and which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Requirement; provided, however, the provider of any such letter of credit, bond insurance policy or other comparable credit facility, must be rated in one of the two highest rating categories by any rating agency then rating the Bonds at the time of delivery of such letter of credit, bond insurance policy or other comparable credit facility. Upon the deposit with the Trustee of such letter of credit, bond insurance policy or other comparable credit facility, the Trustee shall transfer moneys then on hand in the Reserve Account to the Agency to be applied for lawful redevelopment purposes. In the event of a downgrade revision in the rating of such letter of credit, bond insurance policy or other comparable credit facility, the Agency shall promptly transfer all available surplus described in (e) below to the Reserve Account until the earlier of (i) the time when the amount in the Reserve Account equals the Reserve Requirement in which case the Agency shall thereafter terminate the facility or (ii) the time when the Agency secures a substitute letter of credit, bond insurance policy or other credit facility meeting the requirements of this Section 5.03(c) for the Bonds.

(d) Payments to Insurer. To the extent any amounts are due and owing to the Insurer, [including amounts due under the Surety Bond as provided in Section 5.05 hereof,] the Trustee, after making the deposits specified above, shall pay to the Insurer such other amounts not paid to an Owner pursuant to subparagraph (a) or (b) above.

(e) Surplus. Except as may be otherwise provided in any Parity Bond Indenture, the Agency shall not be obligated to transfer to the Trustee for deposit in the Housing Special Fund in any Bond Year an amount of Pledged Housing Tax Revenues which, together with other available amounts in the Housing Special Fund, exceeds the amounts required in such Bond Year pursuant to Section 5.03. In the event that for any reason whatsoever any amounts shall remain on deposit in the Housing Special Fund on any September 2 after making all of the transfers theretofore required to be made pursuant to the preceding clauses (a), (b), (c) and (d) and pursuant to any Parity Bond Indenture, the Trustee shall transfer such amounts to the Interest Account.

(f) Notice to Insurer. The Trustee shall notify the Insurer, within two (2) Business Days, of the occurrence of any of the following:

(i) any draw upon the Reserve Account (other than withdrawals of amounts in excess of the Reserve Requirement, or withdrawals resulting from a redemption of the Bonds);

(ii) any deficiencies in the Reserve Account.

Section 5.04. Redemption Fund. The Redemption Fund shall be established and held by the Trustee. On or before the Business Day preceding any date on which the Bonds are

001412

to be redeemed pursuant to Section 4.01(a) the Agency shall deposit with the Trustee for deposit in the Redemption Fund an amount required to pay the principal of and premium, if any, on the Bonds to be redeemed pursuant to such Section. All moneys in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant to Section 4.01(a) on the date set for such redemption.

[Section 5.05. Draws on the Surety Bond. As long as the Surety Bond shall be in full force and effect, the Agency and the Trustee agree to comply with the following provisions:]

(a) [TO COME]

ARTICLE VI

COVENANTS OF THE AGENCY

Section 6.01. Punctual Payment. The Agency will punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Parity Bond Indentures and of the Bonds. Nothing herein contained shall prevent the Agency from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Section 6.02. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default hereunder to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 6.03. Against Encumbrances. Except for Parity Bonds issued in accordance with Sections 3.03 and 3.04 hereof, the Agency covenants and agrees that it will not issue any other obligations payable, as to either principal or interest, from the Housing Tax Revenues which have, or purport to have, any lien upon the Housing Tax Revenues superior to or on a parity with the lien of the Bonds; provided, however, that nothing in this Indenture shall prevent the Agency from issuing and selling pursuant to law refunding bonds or other refunding obligations payable from and having a first lien on a parity basis with all Outstanding Parity Bonds upon the Housing Tax Revenues if such refunding bonds or other refunding obligations are issued and are sufficient for the purpose of refunding all or a portion of the Bonds then Outstanding.

Section 6.04. Protection of Security and Rights of Bondowners. The Agency will preserve and protect the security of the Bonds and the rights of the Bondowners, and will warrant

and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the Agency the Bonds shall be incontestable by the Agency.

Section 6.05. Payments of Taxes and Other Charges. The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Project or any part thereof.

Section 6.06. Compliance with Law, Completion of Project. The Agency will comply with all applicable provisions of the Law in completing the Project including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Project subject to either Section 33445 or 33679. The Agency will commence, and will continue to completion, with all practicable dispatch, the Project and the Project will be accomplished and completed in a sound and economical manner and in conformity with the Redevelopment Plan and the Law.

Section 6.07. Financial Statements. The Agency will cause to be prepared and filed with the Trustee and the Insurer annually, within two hundred and seventy (270) days after the close of each Fiscal Year so long as any of the Bonds are Outstanding (or, if such financial statements are not accepted by the Agency by such date, then within thirty (30) days of such acceptance), complete audited financial statements with respect to such Fiscal Year showing the Housing Tax Revenues, all disbursements from the Project Fund and the financial condition of the Project, including the balances in all funds and accounts relating to the Project, as of the end of such Fiscal Year.

Section 6.08. Taxation of Leased Property. Whenever any property in the Redevelopment Project has been redeveloped and thereafter is leased by the Agency to any person or persons (other than the City) or whenever the Agency leases real property in the Redevelopment Project to any person or persons (other than the City) for redevelopment, the property shall be assessed and taxed in the same manner as privately owned property, as required by Section 33673 of the Law.

Section 6.09. Disposition of Property. The Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of this Indenture) if the effect of such disposition aggregates more than 10% of the assessed value of property within the Project Area.

Section 6.10. Housing Tax Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Housing Tax Revenues

including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County.

Section 6.11. Use of Proceeds. The Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in Section 3.02 hereof and the Law.

Section 6.12. Further Assurances. The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

*Section 6.13. Limit on Indebtedness. The Agency covenants with the Owners of all of the Bonds at any time Outstanding that it will not enter into any obligation or make any expenditure payable from taxes allocated to the Agency under the Law the payments of which, together with payments theretofore made or to be made with respect to other obligations (including, but not limited to, the Bonds) previously entered into by the Agency, would exceed the then-effective limit on the amount of taxes which can be allocated to the Agency pursuant to Section 33333.4 of the Law and the Redevelopment Plan. Unless the Plan is amended to increase the Plan Limit or indebtedness, the Agency shall cause to be prepared annually, within one hundred and eighty (180) days after the close of each Fiscal Year, so long as any of the Bonds are Outstanding, a Certificate of the Agency setting forth a calculation of (i) the total amount of Housing Tax Revenues remaining available to be received by the Agency within the Plan Limit and (ii) the total amount of future debt service on the Bonds and any Parity Bonds. Regardless of whether the Plan is amended, when the remaining aggregate Annual Debt Service on all outstanding Bonds and Parity Bonds equals or exceeds ninety-five percent (95%) or more of the Housing Tax Revenues remaining available to the Agency pursuant to the Plan, if ever, the Agency shall deposit all future Housing Tax Revenues not required to pay current principal of and interest on the Bonds or Parity Bonds with the Trustee and the trustees for such other obligations, to be applied annually, at the earliest possible dates, to the pro-rata optional redemption of the Bonds or Parity Bonds until no Bonds or Parity Bonds remain Outstanding, provided, that such amount need not be deposited if an Independent Certified Public Accountant verifies that the amount held by the Trustee is sufficient to pay principal of, interest and premium, if any, on all Outstanding Bonds.

Section 6.14. Continuing Disclosure. The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Indenture, failure of the Agency to comply with the Continuing Disclosure Agreement shall not be considered an event of default hereunder; however, the Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Section 6.14.

* Subject to discussion.

001415

Section 6.15. Amendment of Redevelopment Plan. The Agency shall not amend the Redevelopment Plan, or enter into any agreement with the County or any other governmental unit, which would have the effect of materially reducing the amount of Pledged Housing Tax Revenues available to the Agency for payment of debt service on the Bonds. Nothing herein is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such agreement, amendment or supplement which by its terms is subordinate to the payment of the debt service on the Bonds and all Parity Bonds.

ARTICLE VII

THE TRUSTEE; INVESTMENT OF MONEYS

Section 7.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall only be obligated to perform such duties as are expressly set forth herein, and no duties or obligations not expressly set forth herein shall be implied. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing. The Agency shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Insurer or the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), with the consent of the Insurer, or (ii) if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section 7.01, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Agency to the Trustee and the Insurer, whereupon in the case of the Trustee, the Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving the Insurer and the Bondowners notice of such resignation by mail at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee acceptable to the Insurer, by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted such appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee

acceptable to the Insurer. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondowner (on behalf of himself and all other Bondowners), at the expense of the Agency, may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon and upon receipt by the predecessor Trustee of all fees and expenses due and payable to it, such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection (d), the Agency shall mail a notice of the succession of such Trustee hereunder to each rating agency which then has a current rating on the Bonds, if any, and to the Bondowners at their respective addresses shown on the Registration Books. If the Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Agency.

(e) Any Trustee appointed under the provisions of this Section 7.01 in succession to the Trustee shall be a corporation or other entity organized and doing business under the laws of any state, the District of Columbia or the United States of America, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least seventy-five million dollars (\$75,000,000), and subject to supervision or examination by federal or state authority, so long as any Bonds are Outstanding. If such corporation or other entity publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection (e) the combined capital and surplus of such corporation or other entity shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in Section (d).

Section 7.02. Merger or Consolidation. Any bank or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of

its corporate trust business, provided such bank or company shall be eligible under subsection (e) of Section 7.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 7.03. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity, priority or sufficiency of this Indenture or of the Bonds nor shall incur any responsibility in respect thereof other than as expressly stated herein. The Trustee shall not be responsible for the priority, recording or re-recording, filing or re-filing of this Indenture or any instrument of further assurance, or any financing statements, amendments thereto or continuation statements. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondowners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by its officers, agents, directors or employees, unless it shall be proved that it was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Insurer or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, except for Events of Default described in Section 9.01(a), unless it shall have received written notice thereof, at its corporate trust office in Los Angeles, California. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee shall not be responsible for the validity, priority or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to Section 6.07 and may rely conclusively on the certificates accompanying such financial statements to establish the Agency's compliance with

001418

its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Pledged Housing Tax Revenues into the Housing Special Fund and the investment and application of moneys on deposit in the Housing Special Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

Section 7.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, requisition, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Agency, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. The Trustee may exercise any powers hereunder and perform any duties required of it through agents, affiliates, attorneys, officers or employees.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trust imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, the Trustee may request and such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Written Certificate.

No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder if repayment of such funds or adequate indemnity is not assured to it. The Trustee shall be entitled to interest on any amounts advanced by it at the maximum rate permitted by law.

Section 7.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times during business hours upon reasonable notice to the inspection of the Agency, the Insurer and any Bondowner of at least 5% of the principal amount of Bonds Outstanding, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 7.06. Compensation and Indemnification. The Agency shall pay to the Trustee from time to time all compensation for all reasonable services rendered under this Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Indenture.

The Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees harmless against any loss, claim, damage, fine,

penalty expense (including out-of-pocket and incidental expenses, and fees and expenses of in-house and outside counsel) and liabilities (the "Losses") which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence, willful misconduct or willful default of the Trustee, its officers, directors, agents or employees. The Agency further covenants and agrees to indemnify and save the Trustee and its directors, officers, agents and employees (the Indemnitees") harmless against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them for following any instructions or other directions upon which the Trustee is authorized to rely pursuant to the terms of the Indenture. The obligations of the Agency under this paragraph shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

Section 7.07. [Reserved].

Section 7.08. Deposit and Investment of Moneys in Fund. Moneys in the Housing Special Fund, the Interest Account, the Principal Account, the Reserve Account and the Redemption Fund shall be invested by the Trustee in Permitted Investments as specified by a Written Certificate of the Agency or the Chief Financial Officer of the Centre City Development Corporation; provided, that investments of amounts in the Reserve Fund shall not have a maturity of more than five (5) years unless such investment can be redeemed at par at any time amounts so invested are required pursuant to this Indenture. In the absence of any such direction provided by the Treasurer of the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (B)(5) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out hereunder.

Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. Whenever in this Indenture any moneys are required to be transferred by the Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder (other than with respect to funds held by the Agency) shall be retained in the respective funds and accounts to be used for the purposes thereof; provided, however, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account, but only to the extent that the amount remaining in the Reserve Account following such deposit is equal to the Reserve Requirement.

In computing the amount in any fund or account, Permitted Investments shall be valued at market value, exclusive of accrued interest. The Trustee shall perform such valuation (i) as frequently as requested by the Insurer, but in no event less often than each Interest Payment Date or more frequently than monthly, and (ii) upon any draw on the Reserve Account. If amounts on deposit in the Reserve Account shall, at the time of valuation, be less than the Reserve Requirement, the Reserve Account shall be valued monthly until amounts on deposit therein equal the Reserve Requirement.

001420

For purposes of acquiring any investments hereunder, the Trustee may in its discretion commingle funds held by it hereunder. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment and shall be entitled to its customary fee. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 7.08. For purposes of determining the amount on deposit in any fund or account held hereunder, all Permitted Investments credited to such fund or account shall be valued by the Trustee, at least monthly, at the market value (excluding accrued interest and brokerage commissions, if any).

Section 7.09. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee pursuant to this Indenture. Such books of record and account shall be available for inspection by the Agency at reasonable hours, upon reasonable notice and under reasonable circumstances. The Trustee shall furnish to the Agency, at least monthly, an accounting of all transactions relating to the proceeds of the Bonds and all funds and accounts established pursuant to this Indenture, which may be in the form of the Trustee's regular monthly statement.

Section 7.10. Appointment of Co-Trustee or Agent. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture, and in particular, in case of the enforcement thereof or default thereunder, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise or it finds it impracticable to exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any action which may be desirable or necessary in connection therewith, it may be necessary that the Agency appoint an additional individual or institution as a separate or co-Trustee. The following provisions of this Section 7.10 are adapted to these ends.

In the event that the Agency appoints an additional individual or institution as a separate or co-Trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest, duty, obligation and lien expressed or intended by this Indenture to be exercised by, or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-Trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-Trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Agency be required by the separate or co-Trustee so appointed by the Agency for more fully and certainly vesting in and confirming to him or it, such properties, rights, powers, trust, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency. In case any separate or co-Trustee or a successor to either shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trust, duties and obligations of such separate or co-Trustee, so far as permitted by law, shall vest in and be

exercised by the Trustee until the appointment of a new Trustee or successor to such separate or co-Trustee.

In addition to the appointment of a co-Trustee hereunder, the Trustee may, at the expense and with the prior written consent of the Agency, appoint any agent of the Trustee in New York, New York or Los Angeles or San Francisco, California for the purpose of administering the transfers or exchanges of Bonds or for the performance of any other responsibilities of the Trustee hereunder.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 8.01. Amendments Permitted. This Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may be modified or amended at any time by a supplemental Indenture with the prior written consent of the Insurer and pursuant to the affirmative vote at a meeting of Bondowners or with the written consent without a meeting of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (1) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Agency to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein without the express consent of the Owner of such Bond, or (2) permit the creation by the Agency of any mortgage pledge or lien upon the Pledged Housing Tax Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise provided in this Indenture) or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

This Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may also be modified or amended at any time by a supplemental Indenture, with the prior written consent of the Insurer but without the consent of any Bondowners, but only to the extent permitted by law and only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the Agency in this Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any right or power herein reserved to or conferred upon the Agency; or
- (b) to make modifications not adversely affecting any Outstanding Bonds or Parity Bonds of the Agency in any material respect; or
- (c) with the written consent of the Trustee to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to questions arising under this Indenture, as the Agency and the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and which shall not

001422

materially adversely affect the rights of the Owners of the Bonds or Parity Bonds;
or

(d) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of Section 3.03 and Section 3.04 hereof.

Section 8.02. Bondowners' Meetings. The Agency may at any time call a meeting of the Bondowners. In such event the Agency is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Bondowners. The Agency may at any time adopt a supplemental Indenture amending the provisions of the Bonds or of this Indenture or any supplemental Indenture, to the extent that such amendment is permitted by Section 8.01, to take effect when and as provided in this Section. A copy of such supplemental Indenture, together with a request to Bondowners for their consent thereto, shall be mailed by the Agency to each registered Owner of Bonds Outstanding, but failure to mail copies of such supplemental Indenture and request shall not affect the validity of the supplemental Indenture when assented to as in this Section provided.

Such supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section provided: Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given which proof shall be such as is permitted by Section 10.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed. Any revocation received by the Trustee after such notice has been mailed shall be of no force or effect.

After the Owners of the required percentage of Bonds shall have filed their consents to the supplemental Indenture, the Agency shall mail a notice to the Bondowners in the manner hereinbefore provided in this Section for the mailing of the supplemental Indenture, stating in substance that the supplemental Indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the supplemental Indenture or consents thereto). Proof of the mailing of such notice shall be filed with the Trustee. A record consisting of the papers required by this Section to be filed with the Trustee shall be proof of the matters therein stated until the contrary is proved. The supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the Agency and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent

jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the Agency or the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII.

Section 8.05. Effect of Supplemental Indenture. From and after the time any supplemental Indenture becomes effective pursuant to this Article VIII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Indenture of the Agency and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

The Agency may adopt appropriate regulations to require each Bondowner before his consent provided for in this Article VIII shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in Section 8.04.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The Agency may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the Agency, as to such action. In that case, upon demand of the owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the corporate trust office of the Trustee in Los Angeles, California or at such other office as the Agency may select and designate for that purpose, a suitable notation shall be made on such Bond. The Agency may determine that new Bonds, so modified as in the opinion of the Agency is necessary to conform to such Bondowners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the corporate trust office of the Trustee in Los Angeles, California, without cost to any Bondowner, for Bonds then outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Bondowner from accepting any amendment as to the particular Bonds held by him provided that due notation thereof is made on such Bonds.

Section 8.08. Notice to Rating Agency. For all purposes of this Indenture, any rating agency then rating the Bonds must receive notice from the Authority of each amendment and a copy thereof at least 15 days in advance of its execution or adoption.

Section 8.09. Opinion of Counsel. Prior to the execution by the Trustee of any amendment hereto, the Trustee shall be furnished with an opinion of counsel stating that the provisions of this Article have been complied with.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS

Section 9.01. Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default hereunder:

(a) if default shall be made in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond or Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Agency in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following the receipt by the Agency of written notice from the Trustee or any Bondowner of the occurrence of such default; provided, however, that if in the reasonable opinion of the Agency the failure stated in such notice can be corrected, but not within such thirty (30)-day period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Agency within such thirty (30) day period and diligently pursued until such failure is corrected;

(c) if the Agency shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property; or

(d) there shall occur any Event of Default under any Parity Bond Indenture.

If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, with the prior written consent of the Insurer and shall, at the written direction of the Insurer, subject to the provisions of Section 9.06, exercise any remedies available to the Trustee and the Bondowners in law or at equity.

Promptly upon obtaining written notice (provided that such notice shall not be required with respect to an Event of Default described in Subsection (a) above) of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Insurer and the Agency by telephone confirmed in writing. With respect to any Event of Default described in clause (a) or (c) above the Trustee shall, within thirty (30) days of the receipt of written notice of such Event of Default, and with respect to any Event of Default described in

001425

clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners of the Bonds in the same manner as provided herein for notices of redemption of the Bonds.

The Trustee shall provide written notice to the Insurer within five (5) Business Days after its receipt of notice thereof of any Event of Default occurring hereunder. Upon its receipt of notice thereof of any Event of Default, the Trustee shall provide the Insurer and its designated agents with access to the Bond register, and shall allow such parties to copy the register. The Insurer shall have the right to advance any payment required to be made by the Agency in order to prevent an Event of Default hereunder, and the Trustee shall be obligated to accept any such payment. Such advance shall be reimbursed pursuant to Section 10.01 hereof.

This provision, however, is subject to the condition that if, at any time after any Event of Default 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 Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at the net effective rate then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the 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, the Trustee, with the prior written consent of the Insurer, by written notice to the Agency, may, on behalf of the Owners of all of the 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.

Subject to the provisions of this Indenture, the Trustee agrees to enforce by mandamus, suit or other proceeding at law or in equity the covenants and agreements of the Agency.

Section 9.02. Application of Funds. Upon an Event of Default, all of the Pledged Housing Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee and thereafter of the Bondowners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, to the payment of the whole amount then owing and unpaid upon the Bonds and any Parity Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds and any Parity Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds and any Parity Bonds, then to the payment of such

principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, or any Bond and any Parity Bonds over any other Bond or Parity Bonds, ratably to the aggregate of such principal and interest; and

Third, To the payment of the Insurer of all amounts payable to the Insurer hereunder not paid pursuant to First and Second above.

Section 9.03. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, without the prior written consent of the Insurer and unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 9.04. Limitation on Bondowners' and Insurer's Right to Sue. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity acceptable to the Trustee, against the fees, costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) such Owners have obtained the prior written consent of the Insurer.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of (and premium, if any) and interest on such Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 9.05. Non-waiver. Nothing in this Article IX or in any other provision of this Indenture or in the Bonds, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds on the respective Interest Payment Dates, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

The Trustee shall not waive any default without the prior written consent of the Insurer. A waiver of any default or breach of duty or contract by the Trustee, the Insurer or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee, the Insurer or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee, the Insurer or the Owners by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Insurer.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Insurer or the Owners, the Trustee, the Insurer, the Owners and the Agency shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 9.06. Actions by Trustee as Attorney in Fact. Any suit, action or proceeding which the Insurer or any Owner of Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the Insurer and the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the Insurer and the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact; provided, however, the Trustee shall have no obligation to exercise any rights or remedies hereunder unless it has been indemnified to its satisfaction by the Owners or the Insurer, as applicable, from any liability or expense, including attorneys' fees. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Insurer and the Owners of such Bonds, subject to the provisions of this Indenture.

Section 9.07. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee, the Insurer or the Owners of Bonds is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or

otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the law or any other law.

Section 9.08. Rights of Insurer in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Insurer. In the event of any reorganization or liquidation by the Agency, the Insurer shall have the right to vote on behalf of all Owners absent a default by the Insurer under the Insurance Policy.

Section 9.09. Rights of Insurer to Control Proceedings. So long as the Insurer is providing the Insurance Policy, and is not in default thereunder, the Insurer shall be deemed to be the sole Owner of the Outstanding Bonds for purposes of exercising any voting right or privilege, or for purposes of giving any consent or directing or taking any action, that the Owners are entitled to under this Article.

Section 9.10. Effect of Insurance Policy. Notwithstanding any other provision of this Indenture, in determining whether the rights of Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee shall consider the effect on the Bondholders as if there were no Insurance Policy.

[ARTICLE X

BOND INSURANCE PROVISIONS

Section 10.01. Claims Upon the Insurance Policy and Payments by and to the Insurer. As long as the Insurance Policy shall be in full force and effect and the Insurer is in compliance with its payment obligations thereunder, the Agency and the Trustee agree to comply with the following provisions:]

(a) [TO COME]

Section 10.02. Rights of the Insurer. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted under the Indenture to the Owners, or to the Trustee for the benefit of the Owners, including but not limited to the right to approve all waivers of any Events of Default. The rights granted to the Insurer shall be deemed terminated and shall not be exercisable by the Insurer during any period during which the Insurer shall be in default under the Insurance Policy.

The rights of the Insurer to direct or consent to Agency, Trustee or Bondowner actions under this Indenture shall be suspended during any period in which the Insurer is in default in its payment obligations under the Insurance Policy (except to the extent of amounts previously paid by the Insurer and due and owing to the Insurer) and shall be of no force or effect in the event the Insurance Policy is no longer in effect or the Insurer asserts that the Insurance Policy is not in effect or the Insurer shall have provided written notice that it waives such rights.

While the Insurance Policy is in effect, the Agency or the Trustee (as to (b) and (c)) at the Agency's written request, shall furnish to the Insurer:

(a) as soon as practicable after the filing thereof, a copy of any financial statement of the Agency, and a copy of any audit and annual report of the Agency;

(b) a copy of any notice to be given to the registered owners of the Bonds and any certificate rendered pursuant to this Indenture relating to the security for the Bonds; and

(c) such additional information it may reasonably request.

The Agency will permit the Insurer to discuss the affairs, finances and accounts of the Agency or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Agency. The Trustee or the Agency, as appropriate, will permit the Insurer to have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

Notwithstanding any other provision of this Indenture, the Trustee shall promptly notify the Agency if at any time there are insufficient moneys to make any payments of principal and interest as required, and promptly upon receipt of information in accordance with Section 9.01 of any Event of Default hereunder.

The Trustee shall notify the Insurer of any failure of which it has actual notice of the Agency to provide relevant notices, certificates, etc. as required herein. The Insurer shall have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds.

To the extent that the Agency has entered into a Continuing Disclosure Certificate with respect to the Bonds, the Insurer shall be included as party to be notified.

The Insurer is a third-party beneficiary hereunder and shall have the power to enforce any right, remedy or claim conferred, given or granted hereunder.

If principal and/or interest due on the Bonds shall be paid by the Insurer, the Bonds shall remain outstanding under the Indenture for all purposes, and shall not be deemed defeased or otherwise satisfied, or paid by the Agency, and the assignment and pledge of the Pledged Housing Tax Revenues and other amounts pledged to the payment of Debt Service of the Bonds under the Indenture, and all covenants, agreements and other obligations of the Agency to the Holders of the Bonds shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Holders.

001430

Section 10.03. When Consent of Insurer is Required. Any provision of this Indenture expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer hereunder without the prior written consent of the Insurer. Notwithstanding anything in this Indenture to the contrary if the Insurer has failed to make any payments under the Insurance Policy, and such failure remains unremedied, all rights accruing to the Insurer hereunder with respect to the giving of directions, instructions, approvals or consents shall cease to be in force and effect until such time as such failure to make such payments has been remedied.

The Insurer's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental Indenture; (ii) removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which required Bondholder consent.

ARTICLE X1

MISCELLANEOUS

Section 11.01. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Agency, the Trustee, the Insurer and the Owners of the Bonds, any right, remedy, claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Insurer, the Owners of the Bonds and the Trustee.

Section 11.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Parity Bond Indenture either the Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof and all the covenants and agreements in this Indenture contained by or on behalf of the Agency or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Discharge of Indenture. If the Agency shall pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

(1) by well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable;

(2) by irrevocably depositing with the Trustee, in trust, at or before maturity money which, together with the amounts then on deposit in the funds and accounts established pursuant to this Indenture is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums; or

(3) by irrevocably depositing with the Trustee, in trust, Permitted Investments allowed for such purpose in such amount as an Independent Financial Consultant shall certify to the Trustee, based upon a certificate of an Independent Certified Public Accountant, will together

001431

with the interest to accrue thereon and moneys then on deposit in the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates; and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in this Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then notwithstanding that any Bonds of such Series shall not have been surrendered for payment, the pledge of the Pledged Housing Tax Revenues and other funds provided for in this Indenture and all other obligations of the Agency under this Indenture with respect to all Bonds Outstanding shall cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, and thereafter Housing Tax Revenues shall not be payable to the Trustee. Notice of such election shall be filed with the Trustee.

If, subject to above conditions, the Agency shall pay or cause to be paid or make provision for the payment to the owners of less than all of the Outstanding Bonds the principal of and premium, if any, and interest on such Bonds which is and shall thereafter become due and payable upon such Bonds in accordance with the provisions of clauses (1), (2) and (3) above, such Bonds, or portions thereof, shall cease to be entitled to any lien, benefit or security under this Indenture

Any funds thereafter held by the Trustee which are not required for said purpose or for any remaining fees or expenses of the Trustee or the Insurer shall be paid over to the Agency.

Notwithstanding anything contained in this Indenture to the contrary, in the event that the principal and/or interest due on a series of the Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Agency, and all covenants, agreements and other obligations of the Agency to the Owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Owners.

Section 11.04. Execution of Documents and Proof of Ownership by Bondowners.

Any request, declaration, or other instrument which this Indenture may require or permit to be executed by Bondowners may be in one or more instruments of similar tenor and shall be executed by Bondowners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Bondowner or his attorney of such request, declaration or other instrument or of such writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

001433

Section 11.09. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal or unenforceable such holding shall not affect the validity of the remaining portions of this Indenture. The Agency hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the Trustee is rendered unable to perform its duties hereunder all such duties and all of the rights and powers of the Trustee hereunder shall be assumed by and vest in the Treasurer of the Agency in trust for the benefit of the Bondowners. The Agency covenants for the direct benefit of the Bondowners that its Treasurer in such case shall be vested with all of the rights and powers of the Trustee hereunder and shall assume all of the responsibilities and perform all of the duties of the Trustee hereunder in trust for the benefit of the Bonds.

Section 11.10. Effective Date of Indenture. This Indenture shall take effect from and after the date of its passage and adoption.

Section 11.11. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of California.

Section 11.12. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, but subject to applicable escheat laws, any money held by the Trustee in Trust Indenture for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be delivered to the Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Agency for the payment of the interest and premium (if any) on and principal of such Bonds. All moneys held by the Trustee and subject to this Section shall be held uninvested and without liability for interest thereon, unless investment instructions are provided by the Agency pursuant to Section 7.08 hereof. Before making any payment under this Section 11.12, the Trustee shall be entitled to receive at the Agency's expense an opinion of counsel to the effect that said payment is permitted under applicable law.

Section 11.13. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

001434

IN WITNESS WHEREOF, the Agency has caused this Indenture to be executed in its name and the Trustee, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its name all as of the day and year above written.

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

By: _____
Title: _____

DEUTSCHE BANK NATIONAL TRUST COMPANY,
as Trustee

By: _____
Authorized Signatory

001436

to the Registered Owner hereof at the Registered Owner's address as it appears on the Bond registration books maintained by the Trustee at the close of business on the fifteenth day of the month preceding each Interest Payment Date (the "Record Date"), or by wire transfer to an owner of \$1,000,000 or more in aggregate principal amount of Bonds at such wire transfer address in the continental United States as such owner shall specify in a written notice requesting payment by wire transfer delivered to the Trustee not later than the Record Date for such payment.

This Bond is one of a duly authorized issue of Bonds of the Agency designated as "Redevelopment Agency of the City of San Diego, Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2008A (Taxable)" (the "Bonds"), in an aggregate principal amount of _____ Dollars (\$_____), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates, or redemption and other provisions). The Bonds are issued pursuant to the provisions of the Community Redevelopment Law, being Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law"), and pursuant to a Trust Indenture, dated as of April 1, 2008, entered into by and between the Agency and the Trustee (the "Indenture"), authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Agency) and all indentures supplemental thereto and to the Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Housing Tax Revenues pledged as security for the Bonds, as that term is defined in the Indenture, and other amounts pledged under the Indenture, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Agency to (i) finance certain low and moderate income housing improvements in, or benefiting, the Centre City Redevelopment Project (the "Project Area"); (ii) fund a reserve account; and (iii) pay costs related to the issuance of the Bonds.

The Bonds are special obligations of the Agency, and this Bond and the interest hereon and on all other Bonds and the interest thereon (to the extent set forth in the Indenture) are payable from, and are secured equally and on a parity, by a charge and lien on the Pledged Housing Tax Revenues derived by the Agency from the Redevelopment Project (as defined in the Indenture) and other amounts pledged under the Indenture. There has been created and will be maintained by the Trustee a Housing Special Fund (as defined in the Indenture) into which Pledged Housing Tax Revenues shall be deposited and from which the Trustee shall thereafter pay the principal of, any redemption premium and the interest on the Bonds when due. Subject to the foregoing, as and to the extent set forth in the Indenture, all such Pledged Housing Tax Revenues (together with all of the moneys in the Reserve Account, as defined in the Indenture) are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture and the Law, for the security and payment or redemption of, including any premium upon early redemption, and for the security and payment of interest on, the Bonds. Notwithstanding the foregoing, in accordance with the Indenture,

001437

certain amounts out of Pledged Housing Tax Revenues may be applied for other purposes as provided in the Indenture.

This Bond is not a debt of the City of San Diego, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than those of the Agency, as set forth in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

[REDEMPTION PROVISIONS TO COME]

As provided in the Indenture, notice of redemption shall be given by first class mail no less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books maintained by the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption. Such notice of redemption may be rescinded as provided in the Indenture.

The Bonds are being issued as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing at said offices of the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered Bond or Bonds, of authorized denomination or denominations for the same aggregate principal amount and of the same maturity, will be issued to the transferee in exchange therefor. The Trustee shall not be required to register the transfer or exchange of Bonds (i) between the date which is fifteen days before selection of Bonds for redemption and the date of mailing notice of redemption, and (ii) as to any Bond selected for redemption.

The Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Agency and the Trustee shall not be affected by any notice to the contrary.

The rights and obligations of the Agency and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond, or of any installment of interest thereon, or a reduction in the principal amount or the redemption price thereof, or in the rate of interest thereon, without the consent of the owner of such Bond, or shall reduce the percentages the consent of the owners of which is required to effect any such modification or amendment.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the Law and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Law or any laws of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Trustee.

[STATEMENT OF INSURANCE]

[TO COME]

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the District or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the Redevelopment Agency of the City of San Diego has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chair and its seal to be reproduced hereon and attested by the facsimile signature of its Secretary, all as of the Dated Date set forth above.

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

By: _____
Title: _____

(SEAL)

Attest:

By: _____
Secretary

001439

Draft of 12/28/07

FORM OF CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Authentication Date:

DEUTSCHE BANK NATIONAL TRUST COMPANY,
as Trustee

By: _____
Authorized Officer

FORM OF ASSIGNMENT

For value received, the undersigned does hereby sell, assign and transfer unto _____ the within Bond and does) hereby irrevocably constitute and appoint _____ attorney to transfer such Bond on the register of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature: _____

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed by: _____

Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

APPENDIX D
BOOK-ENTRY SYSTEM

The information concerning DTC and DTC book-entry system has been obtained from DTC, and the Agency and the Underwriters take no responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Series 2008A Housing Bonds. The Series 2008A Housing Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2008A Housing Bond will be issued for each maturity of the Series 2008A Housing Bonds, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, ("NSCC," "FICC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information on these websites is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008A Housing Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008A Housing Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2008A Housing Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008A Housing Bonds; DTC's records reflect only the identity of

the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest, purchase price and redemption premium, if any, on the Series 2008A Housing Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, purchase price, redemption premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2008A Housing Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, securities certificates will be printed and delivered as described in the Trust Indenture.

The Agency, the Underwriters and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or any premium with respect to the Series 2008A Housing Bonds paid to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Agency, the Underwriters and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2008A Housing Bonds or any error or delay relating thereto.

001443

APPENDIX E

FORMS OF OPINIONS OF CO-BOND COUNSEL

Upon delivery of the Series 2008A Housing Bonds, Nossaman, Guthner, Knox & Elliott, LLP and Alvarado Smith & Sanchez, Co-Bond Counsel, propose to render their final opinions in substantially the following forms:

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
**REDEVELOPMENT AGENCY OF THE
 CITY OF SAN DIEGO
 CENTRE CITY REDEVELOPMENT PROJECT
 TAX ALLOCATION HOUSING BONDS
 SERIES 2008A (TAXABLE)**

This Continuing Disclosure Certificate, dated as of _____ 1, 2008 (the "Disclosure Certificate") is executed and delivered by the Redevelopment Agency of the City of San Diego (the "Agency") in connection with the issuance by the Agency of its \$ _____ Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2008A (Taxable) (the "Series 2008A Housing Bonds"). The Series 2008A Housing Bonds are being issued pursuant to a Trust Indenture, dated as of April 1, 2008 (the "Indenture"), between the Agency and the Deutsche Bank National Trust Company. The proceeds of the Series 2008A Housing Bonds are being used by the Agency to provide funds to: (i) finance certain improvements relating to, or increasing the supply of, low and moderate income housing in the Centre City Redevelopment Project and such other areas as authorized by the Redevelopment Law (as defined herein), (ii) provide, in whole or in part, for a reserve fund for the Series 2008A Housing Bonds, and (iii) provide for the costs of issuing the Series 2008A Housing Bonds. In connection therewith, the Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Series 2008A Housing Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined herein).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean the Agency, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently recognized by the Securities and Exchange Commission are currently set forth in the SEC website located at <http://www.sec.gov/info/municipal/nrmsir.htm>.

"Official Statement" means the Official Statement relating to the Series 2008A Housing Bonds.

"Participating Underwriter" shall mean any of the original Underwriters of the Series 2008A Housing Bonds required to comply with the Rule in connection with offering of the Series 2008A Housing Bonds.

"Repository" shall mean each National Repository and each State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or upon written direction shall cause the Dissemination Agent to, not later than 270 days after the end of the Agency's fiscal year (which currently ends June 30th), commencing with the report for the [2005-06] Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to such date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Agency and shall have no duty or obligation to review such Annual Report.

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board and any appropriate State Repository.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the Agency, and such information is available to it, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports: The Agency's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement,

and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial information and operating data with respect to the Agency for the prior fiscal year of the type included in the Official Statement, in the following categories (to the extent not included in the Agency's audited financial statements): (i) aggregate assessed values of the Project Area; (ii) list of top ten largest local secured property taxpayers within the Project Area; (iii) in the event the assessed value of any of the top ten largest local secured property taxpayers within the Project Area decreases in any fiscal year by more than 25% from the prior fiscal year, the Agency will use its best efforts to determine the cause for such decrease and will include such information in the Annual Report; (iv) calculation of the coverage ratio for such fiscal year, including any Parity Debt, calculated in the same manner as provided in the Official Statement in Table 8 under the Section entitled "Estimated Tax Revenues, Debt Service and Coverage" and (v) description of outstanding indebtedness payable from Housing Tax Revenues issued during such fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Repositories. The Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2008A Housing Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

(d) If the Dissemination Agent has been instructed by the Agency to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Repositories with a copy to the Agency. Notwithstanding the foregoing notice of Listed Events described in subsections (a)(8) and (9) need

not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2008A Housing Bonds. If such termination occurs prior to the final maturity of the Series 2008A Housing Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Trustee. The Dissemination Agent may resign as Dissemination Agent by providing thirty days written notice to the Agency and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Agency. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Agency in a timely manner and in a form suitable for filing.

The Agency may satisfy its obligations hereunder to file any notice, document or information with a National Repository or State Repository by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such National Repository or State Repository, to the extent permitted by the SEC or SEC staff or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the dissemination agent or conduit has received an interpretive letter, which has not been revoked, from the SEC staff to the effect that using the agent or conduit to transmit information to the National Repository and State Repository will be treated for purposes of the Rule as if such information were transmitted directly to the National Repository and State Repository.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived (provided no amendment that modifies or increases its duties or obligations of the Dissemination Agent shall be effective without the consent of the Dissemination Agent), provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Series 2008A Housing Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Series 2008A Housing Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Series 2008A Housing Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Series 2008A Housing Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for

the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

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

Section 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any holder or beneficial owner of the Series 2008A Housing Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Authority, the Series 2008A Housing Bondholders, or any other party. Other than in the case of negligence, gross negligence or willful misconduct of the Dissemination Agent, the Dissemination Agent shall not have any liability to the Series 2008A Housing Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from any breach of any obligation of the Dissemination Agent. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2008A Housing Bonds.

001450

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Series 2008A Housing Bonds, and shall create no rights in any other person or entity.

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

By: _____
Assistant Executive Director

001451

APPENDIX G
FORM OF FINANCIAL GUARANTY INSURANCE POLICY

[To come from Insurer.]

**REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
CENTRE CITY REDEVELOPMENT PROJECT
TAX ALLOCATION HOUSING BONDS
SERIES 2008A (TAXABLE)**

PURCHASE CONTRACT

_____, 2008

Redevelopment Agency of the
City of San Diego
225 Broadway, Suite 1100
San Diego, California 92101

Public Facilities Financing Authority
of the City of San Diego
225 Broadway, Suite 1100
San Diego, California 92101

Ladies and Gentlemen:

E.J. De La Rosa & Co., Inc., on behalf of itself and RBC Dain Rauscher Inc., doing business under the trade name RBC Capital Markets (collectively, the "Underwriters"), hereby offer to enter into this Purchase Contract (the "Purchase Contract") with the Redevelopment Agency of the City of San Diego (the "Agency") and the Public Facilities Financing Authority of the City of San Diego (the "Authority") for the purchase by the Underwriters of the Agency's \$ _____ aggregate principal amount of Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2008A (Taxable) (the "Bonds"). This offer is made subject to acceptance thereof by the Agency and the Authority prior to 5:00 P.M., California time, on the date hereof, and upon such acceptance, as evidenced by the execution hereof by the authorized officers of the Agency and the Authority in the space provided below, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the Agency, the Authority and the Underwriters.

1. Purchase and Sale of Bonds. Upon the terms and conditions and upon the basis of the representations herein set forth, (i) the Authority hereby agrees to purchase from the Agency, but only to the extent the Underwriters are obligated hereunder to purchase from the Authority, for offering to the Underwriters and the Agency hereby agrees to sell to the Authority for such purpose, and (ii) the Underwriters agree to purchase from the Authority, and the Authority agrees to sell to the Underwriters, all (but not less than all) of the Bonds, at the purchase price of \$ _____ (representing the par amount of the Bonds, [less original issue discount] [plus net original issue premium] of \$ _____, and less an underwriting discount of \$ _____).

in Section 1 hereof by same day funds (such delivery and payment being herein referred to as the "Closing"). The Bonds shall be made available to the Underwriters not later than the second business day before the Closing Date for purposes of inspection. The Bonds shall be delivered in book-entry form through the facilities of the Depository Trust Company, New York, New York ("DTC").

4. Representations of the Authority. The Authority represents that:

(a) The Authority is a joint powers authority, duly organized and existing, and authorized to transact business and exercise powers under and pursuant to the provisions of the Constitution and the laws of the State and has, and at the date of the Closing will have, full legal right, power and authority to enter into this Purchase Contract, and to carry out and to consummate the transactions contemplated by this Purchase Contract and the Official Statement;

(b) The Authority has complied, and will at the Closing be in compliance, in all respects, with the JPA Act and any other applicable laws of the State;

(c) By official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in this Purchase Contract;

(d) To the knowledge of the Authority, the execution and delivery of this Purchase Contract, and compliance with the provisions of thereof, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject;

(e) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to execution and delivery by the Authority of this Purchase Contract and the purchase from the Agency and sale to the Underwriters of the Bonds have been obtained or will be obtained prior to the Closing (provided the Authority shall not be responsible for state blue sky filings);

(f) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority, affecting the existence of the Authority or the titles of its members or officers, or seeking to enjoin the purchase and sale of the Bonds by the Authority, or in any way contesting or affecting the validity or enforceability of the Bonds or this Purchase Contract or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or contesting the power or authority of the Authority to purchase and sell the Bonds, or to execute and deliver this Purchase Contract, nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or this Purchase Contract; and

stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(f) The Agency has complied, and will at the Closing be in compliance, in all respects, with the Redevelopment Law and any other applicable laws of the State;

(g) By official action of the Agency prior to or concurrently with the acceptance hereof, the Agency has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Agency of the obligations on its part contained, in the Bond Resolution, the Indenture, the Bonds, and this Purchase Contract;

(h) The adoption of the Bond Resolution and the execution and delivery of the Bonds, the Indenture and this Purchase Contract, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, agreement or other instrument to which the Agency is a party or is otherwise subject; and, except as described in the Official Statement, the Agency has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the revenues pledged pursuant to, or subject to the lien of, the Bond Resolution or the Indenture;

(i) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to adoption of the Bond Resolution, execution and delivery by the Agency of this Purchase Contract, the Indenture and the issuance, sale and delivery of the Bonds have been obtained or will be obtained prior to the Closing (provided the Agency shall not be responsible for state blue sky filings);

(j) The Bonds when issued, authenticated and delivered in accordance with the Bond Resolution and the Indenture will be validly issued, and will be valid and binding, obligations of the Agency;

(k) The terms and provisions of the Bond Resolution and the Indenture comply in all respects with the requirements of the Redevelopment Law, and the Bond Resolution has been duly adopted by the Agency and is valid, legal and binding upon the Agency enforceable in accordance with their terms subject to bankruptcy, moratorium or insolvency or other laws affecting creditors' rights generally and general rules of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity);

(l) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Agency, threatened against the Agency, affecting the existence of the Agency or the titles of its members or officers, or seeking to enjoin the sale, issuance or delivery of the Bonds or the revenues of the Agency pledged or to be pledged to pay the principal of, redemption premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Resolution, the Indenture or this Purchase Contract or contesting in any way the completeness or

adversely affect the Agency's receipt of tax increment revenues), or a decision shall have been rendered by a court of the United States or the State or the Tax Court of the United States, or a ruling shall have been made or a resolution shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or State authority, with respect to federal or State taxation upon interest on obligations of the general character of the Bonds or with respect to the security pledged to pay debt service on the Bonds, that, in the Underwriters' reasonable judgment, materially adversely affects the market for the Bonds, or the market price generally of obligations of the general character of the Bonds or (ii) there shall exist any event that, in the Underwriters' reasonable judgment, either (A) makes untrue or incorrect in any material respect any statement or information in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect, or (iii) there shall have occurred any outbreak or escalation of hostilities or other local, national or international calamity or crisis (it being acknowledged by the Underwriters that as of the date hereof, no such event is occurring), or a default with respect to the debt obligations of, or the institution of proceedings under the federal bankruptcy laws by or against, any state of the United States or agency thereof, or any city in the United States having a population of over one million, the effect of which on the financial markets of the United States will be such as in the Underwriters' reasonable judgment, makes it impracticable for the Underwriters to market the Bonds or enforce contracts for the sale of the Bonds, or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of determination by that Exchange or by order of the Securities and Exchange Commission of the United States or any other governmental authority having jurisdiction that, in the Underwriters' reasonable judgment, makes it impracticable for the Underwriters to market the Bonds or enforce contracts for the sale of the Bonds, or (v) a general banking moratorium shall have been declared by federal, New York or State authorities having jurisdiction and be in force that, in the Underwriters' reasonable judgment, makes it impracticable for the Underwriters to market the Bonds or enforce contracts for the sale of the Bonds, or (vi) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission of the United States or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the Bonds, any obligations of the general character of the Bonds or the Bond Resolution or the Indenture are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect, or otherwise are or would be in violation of any provision of the federal securities laws, or (vii) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or materially increase any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, underwriters; or (viii) there shall have been any materially adverse change in the affairs of the Agency which in the Underwriters' reasonable judgment materially adversely affects the market for the Bonds; and

contained in the Bond Resolution and the Indenture will not conflict with or constitute a breach of or default under any judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject, or, to the best knowledge of the Trustee, any material law or administrative regulation to which the Trustee is subject, as a result of which the Trustee's ability to perform its obligations under the Bond Resolution and the Indenture would be impaired, nor will any such compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Bond Resolution and the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Bond Resolution and the Indenture; and (iv) the Trustee has not been served in any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending nor, to the best of the knowledge of the Trustee, is any such action, suit, proceeding, inquiry or investigation threatened against the Trustee, affecting the existence of the Trustee, or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the issuance, sale and delivery of the Bonds or the collection of revenues pledged or to be pledged to pay the principal of, premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting the powers of the Trustee or its authority to perform its obligations under the Bond Resolution and the Indenture, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bond Resolution or the Indenture;

(7) A copy of this Purchase Contract duly executed and delivered by the parties hereto;

(8) A copy of the Official Statement, executed on behalf of the Agency by the Executive Director of the Agency;

(9) A copy of each of the Indenture;

(10) A certified copy of each of the Bond Resolution;

(11) The opinion of counsel to the Trustee, in form and substance acceptable to the Underwriters;

(12) A certificate of Katz Hollis, dated the Closing date, certifying that as of the date of the Official Statement and as of the Closing date, the statements contained in the Official Statement insofar as such statements purport to summarize their report, dated _____ 2008, are true and correct in all material respects, and did not and do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and consenting to the use of their report as Appendix A to the Preliminary Official Statement and the Official Statement and all references to their report in the Preliminary Official Statement and the Official Statement;

(13) Evidence from [Fitch Inc. ("Fitch"), Standard and Poor's Corporation ("Standard & Poor's") and Moody's Investors Service, Inc. ("Moody's")] that the

10. Qualification under Securities Laws. The Agency and the Authority agree to cooperate with the Underwriters in any endeavor to qualify the Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Underwriters may request; provided that neither the Agency nor the Authority shall be required to qualify in, or submit to the general jurisdiction of, any state in which it is not now so qualified or of which it has not submitted to the general jurisdiction. The Agency and the Authority consent to the use of the Preliminary Official Statement and Official Statement by the Underwriters in obtaining such qualifications.

11. Notice. Any notice or other communication to be given to the Agency or the Authority under this Purchase Contract may be given by delivering the same in writing at the respective addresses set forth above. Any such notice or communication to be given to the Underwriters may be given by delivering the same in writing to:

E. J. De La Rosa & Co., Inc., as representative of the Underwriters
10866 Wilshire Blvd., Suite 1650
Los Angeles, CA 90024
Attention: Mr. Scott Henry

12. Governing Law. This Purchase Contract shall be governed by the laws of the State. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

13. Parties in Interest. This Purchase Contract is made solely for the benefit of the signatories hereto (including the respective successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) delivery of and payment for any of the Bonds and (b) any termination of this Purchase Contract.

14. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

001459

APPENDIX I

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>
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EXHIBIT A

Form of Supplemental Opinion of Co-Bond Counsel

**REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
CENTRE CITY REDEVELOPMENT PROJECT
TAX ALLOCATION HOUSING BONDS
SERIES 2008A (TAXABLE)**

We have acted as Co-Bond Counsel to the Redevelopment Agency of the City of San Diego (the "Agency") in connection with its sale of \$ _____ aggregate principal amount of Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2008A (Taxable) (the "Bonds"). The Bonds are being issued pursuant to Resolution No. ____, adopted by the Agency on _____, 2008 (the "Bond Resolution") and a Trust Indenture, dated as of April 1, 2008 (the "Indenture") between the Agency and Deutsche Bank National Trust Company, as trustee (the "Trustee"). The Bond Resolution and the Indenture are collectively referred to as the "Issuing Documents."

In that connection we have examined originals or copies certified or otherwise identified to my satisfaction of the Issuing Documents, the Tax Certificate dated as of the date hereof (the "Tax Certificate"), the Continuing Disclosure Agreement for the Bonds, dated as of April 1, 2008 (the "Continuing Disclosure Agreements") between the Agency and the Trustee for the Bonds, the Purchase Contract, dated _____, 2008 (the "Purchase Contract"), among the Agency, the Public Facilities Financing Authority of the City of San Diego, and E. J. De La Rosa & Co., Inc.; on behalf of itself and RBC Dain Rauscher Inc., doing business under the trade name RBC Capital Markets (collectively, the "Underwriters"); and the Official Statement of the Agency, dated _____, 2008 (the "Official Statement") relating to the Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Issuing Documents.

Based upon our examination of the foregoing and the pertinent laws of the United States of America and the State of California, we are of the opinion that:

(1) The Agency has duly authorized executed and delivered the Purchase Contract, and the Purchase Contract constitutes the legal, valid and binding obligation of the Agency, enforceable against the Agency in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles when equitable remedies are sought and to the exercise of judicial discretion in appropriate cases.

(2) The Official Statement has been duly authorized, executed and delivered by the Agency.

(3) The statements and information contained or summarized in the Official Statement on the cover page and under the headings "INTRODUCTION," "THE SERIES 2008 BONDS," "SECURITY FOR THE SERIES 2008 BONDS," "TAX MATTERS" and in

EXHIBIT B

Form of Opinion of Counsel to the Agency
[Closing Date]

**REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
CENTRE CITY REDEVELOPMENT PROJECT
TAX ALLOCATION HOUSING BONDS
SERIES 2008A (TAXABLE)**

Ladies and Gentlemen:

We have acted as counsel to the Redevelopment Agency of the City of San Diego (the "Agency") in connection with its sale of \$ _____ aggregate principal amount of Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2008A (Taxable) (the "Bonds"). The Bonds are being issued pursuant to Resolution No. ____, adopted by the Agency on _____, 2008 (the "Bond Resolution") and a Trust Indenture, dated as of April 1, 2008 (the "Indenture") between the Agency and Deutsche Bank National Trust Company, as trustee (the "Trustee"). The Bond Resolution and the Indenture are collectively referred to as the "Issuing Documents."

In that connection we have examined originals or copies certified or otherwise identified to my satisfaction of the Issuing Documents, the Tax Certificate dated as of the date hereof (the "Tax Certificate"), the Continuing Disclosure Agreement for the Bonds, dated as of April 1, 2008 (the "Continuing Disclosure Agreements") between the Agency and the Trustee, and the Official Statement of the Agency, dated _____, 2008 (the "Official Statement") relating to the Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Issuing Documents.

Based on the foregoing, we are of the opinion that:

(i) The Agency is a public body, corporate and politic, duly organized and validly existing under the laws of the State.

(ii) The Indenture, the Purchase Contract and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitute the valid, legal and binding obligations of the Agency enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors rights and by the application of equitable principles if equitable remedies are sought.

(iii) The Bond Resolution has been duly adopted at a meeting of the governing body of the Agency, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout. The Bond Resolution is in full force and effect, have not been modified, amended or rescinded and constitutes the valid and binding obligation of the Agency enforceable in accordance with its

001462

omits to state a material fact, necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Very truly yours,