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

ATTACHMENT 1

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2010

NEW ISSUE - Book-Entry Only

RATINGS: Standard & Poor's: ____
Moody's: ____
(See "RATINGS")

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, interest on the 2010 Bonds is not excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest on the 2010 Bonds is exempt from State of California personal income taxes. See "TAX MATTERS".

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

$_____*

Housing Set-Aside
Tax Allocation Bonds
Series 2010A Taxable

Dated: Date of Delivery **Due: September 1, as shown below**

The Redevelopment Agency of the City of San Diego (the "Agency") is issuing the Housing Set-Aside Tax Allocation Bonds, Series 2010A Taxable (the "2010 Bonds").

Authority for Issuance. The 2010 Bonds are being issued in accordance with a Trust Indenture dated as of August 1, 2010, (the "Indenture"), by and between the Agency and U.S. Bank National Association, as trustee (the "Trustee"), and a resolution of the Agency adopted on _____ 1, 2010. The 2010 Bonds will be sold by the Agency to the Public Financing Authority of the City of San Diego (the "Authority") for concurrent resale to the Underwriters.

Bond Terms; Book-Entry Only. The 2010 Bonds will be issued and delivered as fully registered bonds without coupons, and when delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Payment of principal of and interest on the 2010 Bonds will be paid by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to beneficial owners of the 2010 Bonds as described herein. See "APPENDIX G - BOOK-ENTRY ONLY SYSTEM." Interest on the 2010 Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2011.

Use of Proceeds. The proceeds of the 2010 Bonds will be used to (i) repay certain bank lines of credit of the Agency; (ii) finance a portion of the costs of low and moderate income housing projects (the "Housing Projects") within or of benefit to six redevelopment project areas (collectively, the "Redevelopment Project Areas") of the Agency, namely the City Heights Redevelopment Project, the North Bay Redevelopment Project, the North Park Redevelopment Project, the Crossroads Redevelopment Project, the Naval Training Center Redevelopment Project and the San Ysidro Redevelopment Project; (iii) provide for a reserve fund; and (iv) pay the costs of issuing the 2010 Bonds. See "FINANCING PLAN."

Security for the 2010 Bonds. The 2010 Bonds are special obligations of the Agency payable from and secured by Tax Revenues (as defined herein). Tax Revenues are derived from the 20% of tax increment allocated to the Agency from the Redevelopment Project Areas that the Agency is obligated to deposit into its Low and Moderate Income Housing Fund (the "Housing Set-Aside"). Except for the Tax Revenues and amounts on deposit in certain funds and accounts under the Indenture, no funds or properties of the Agency are pledged to, or otherwise liable for, the principal of, premium (if any) or interest on the 2010 Bonds. See "SECURITY FOR THE 2010 BONDS."

[INSURANCE LANGUAGE AND LOGO]

Common Pledge. The City of San Diego (the "City") and the Agency have made findings that the Housing Projects to be financed with proceeds of the 2010 Bonds, even though they may be located outside the Redevelopment Project Areas, will benefit all six Redevelopment Project Areas; as a result, Tax Revenues includes Housing Set-Aside generated in each Redevelopment Project Area without consideration of in which Redevelopment Project Area the Housing Projects are actually built.

Existing Senior Obligations; Future Parity Obligations. Tax Revenues does not include certain Housing Set-Aside generated in the City Heights Redevelopment Project that is used by the Agency to pay 100% of debt service on an outstanding obligation, in the North Bay Redevelopment Project that is used by the Agency to pay 25% of debt service on an outstanding obligation, and in the North Park Redevelopment Project that is used to pay approximately 24.0% of the aggregate debt service on an outstanding payment obligation. See "SECURITY FOR THE 2010 BONDS – Existing Senior Obligations." The Agency has agreed not to issue any further obligations senior to the 2010 Bonds.

In addition, the Agency may incur future debt that has a claim on Tax Revenues that is on parity with the claim of the 2010 Bonds. "See "SECURITY FOR THE 2010 BONDS – Additional Debt".

Redemption. The 2010 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity. See "THE 2010 BONDS - Redemption."

NEITHER THE 2010 BONDS NOR THE AGENCY'S OBLIGATIONS UNDER THE INDENTURE ARE A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY) AND NEITHER THE CITY, THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY) IS LIABLE FOR THE 2010 BONDS. THE 2010 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE CITY, THE AUTHORITY, THE AGENCY NOR ANY PERSONS EXECUTING THE 2010 BONDS ARE LIABLE PERSONALLY ON THE 2010 BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

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* Preliminary, subject to change.

MATURITY SCHEDULE
(see inside cover)

This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the 2010 Bonds involves risks which may not be appropriate for some investors. See "BOND OWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The 2010 Bonds are offered when, as and if issued and accepted by the Underwriters, subject to approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and subject to certain other conditions. Best Best & Krieger LLP is also acting as disclosure counsel to the Agency. Nossaman LLP, Irvine, California is acting as counsel to the Underwriters. Certain legal matters will be passed on for the Agency and the City by the City Attorney. It is anticipated that the 2010 Bonds, in book-entry form, will be available for delivery on or about _____, 2010.

[De La Rosa & Co. Logo] [Piper Jaffray & Co. Logo]

The date of this Official Statement is _____, 2010

MATURITY SCHEDULE*

(Base CUSIP:† _____)

$_____ Serial Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP†

$_____ _____% Term Bond due September 1, 20__, Price: ___% CUSIP:† _____

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† Copyright 2010, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the Agency nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

* Preliminary; subject to change.

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

CITY COUNCIL/AGENCY BOARDMEMBERS
(the Board of Directors of the Agency consists of the City Councilmembers)

Councilmember Sherri S. Lightner, *District 1*
Councilmember Kevin Faulconer, *President Pro Tem/Chair Pro Tem, District 2*
Councilmember Todd Gloria, *District 3*
Councilmember Anthony Young, *District 4*
Councilmember Carl DeMaio, *District 5*
Councilmember Donna Frye, *District 6*
Councilmember Marti Emerald, *District 7*
Councilmember Ben Hueso, *President/Chair, District 8*

AGENCY STAFF

Jerry Sanders, *Executive Director*
William Anderson, *Assistant Executive Director*
Janice L. Weinrick, *Deputy Executive Director*
Jan Goldsmith, *General Counsel*
Gail R. Granewich, *Treasurer*

SPECIAL SERVICES

Trustee
U.S. Bank National Association
Los Angeles, California

Bond Counsel and Disclosure Counsel
Best Best & Krieger LLP
Riverside, California

Fiscal Consultant
David Taussig & Associates, Inc.
Newport Beach, California

Financial Advisor
Kitahata & Company
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2010 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2010 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Agency or any other parties described in this Official Statement, or in the condition of the security for the 2010 Bonds since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2010 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2010 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Involvement of Underwriters. The Underwriters have submitted the following statement for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibility to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2010 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the 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. 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.

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REGIONAL MAP

MAP OF SIX REDEVELOPMENT PROJECT AREAS

OFFICIAL STATEMENT

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

$_____*
Housing Set-Aside
Tax Allocation Bonds
Series 2010A Taxable

INTRODUCTION

This Official Statement, including the cover page and the attached appendices, provides information regarding the issuance by the Redevelopment Agency of the City of San Diego (the "Agency") of the bonds captioned above (the "2010 Bonds"). The 2010 Bonds will be sold by the Agency to the Public Facilities Financing Authority of the City of San Diego (the "Authority") for concurrent resale to the Underwriters named on the cover page of this Official Statement.

Authority for Issuance

The 2010 Bonds are being issued under the Community Redevelopment Law, constituting Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the "Redevelopment Law") and a resolution of the Agency adopted on _____, 2010.

The 2010 Bonds will be issued under a Trust Indenture, dated as of August 1, 2010, (the "Indenture"), by and between the Agency and U.S. Bank National Association (the "Trustee").

Purpose of Issuance

The proceeds of the 2010 Bonds will be used for the following purposes:

- To provide for a reserve fund.
- To pay the costs of issuing the 2010 Bonds.
- To repay outstanding bank lines of credit from San Diego National Bank for low and moderate income housing projects for the City Heights Redevelopment Project, Naval Training Center Redevelopment Project, North Bay Redevelopment Project and North Park Redevelopment Project.
- To finance a portion of the costs of low and moderate income housing projects (the "Housing Projects") within or of benefit to the following six redevelopment project areas (collectively, the "Redevelopment Project Areas") of the Agency (see "FINANCING PLAN – The Housing Projects" below):

(i) City Heights Redevelopment Project (the "City Heights Redevelopment Project")

(ii) North Bay Redevelopment Project (the "North Bay Redevelopment Project")

(iii) North Park Redevelopment Project (the "North Park Redevelopment Project")

(iv) Crossroads Redevelopment Project (the "Crossroads Redevelopment Project")

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* Preliminary, subject to change.

(v) Naval Training Center Redevelopment Project (the "Naval Training Center Redevelopment Project")

(vi) San Ysidro Redevelopment Project (the "San Ysidro Redevelopment Project", and together, the "Redevelopment Project Areas")

Security for the 2010 Bonds

Security for the 2010 Bonds. The 2010 Bonds are limited obligations of the Agency secured by a pledge of and first lien on "Tax Revenues." Tax Revenues is, in general, defined in the Indenture as the 20% portion of tax increment revenues derived from the six Redevelopment Project Areas which, pursuant to the Redevelopment Law, must be deposited in the Agency's Low and Moderate Income Housing Fund ("Housing Set-Aside").

Existing Senior Obligations. Tax Revenues does not include that portion of the Housing Set-Aside from certain redevelopment projects used by the Agency to pay the following senior obligations of the Agency relating to such redevelopment projects (the "Existing Senior Obligations"):

- City Heights Redevelopment Project has pledged moneys in the Agency's Low and Moderate Income Housing Fund derived from the City Heights Redevelopment Project as security for its obligation to pay debt service on the following bonds:

  $4,955,000 initial aggregate principal amount City Heights Redevelopment Project, 2003 Housing Set-Aside Tax Allocation Bonds Series A (Taxable) and $865,000 initial aggregate principal amount City Heights Redevelopment Project, 2003 Housing Set-Aside Tax Allocation Bonds, Series B (Tax-Exempt) (together, the "City Heights 2003 Senior Bonds"); and

- North Bay Redevelopment Project has pledged moneys in the Agency's Low and Moderate Income Housing Fund derived from the North Bay Redevelopment Project as security for its obligation to pay 25% of debt service on the following bonds:

  $13,000,000 initial aggregate principal amount North Bay Redevelopment Project, Tax Allocation Bonds, Series 2000 (the "North Bay 2000 Senior Bonds").

- North Park Redevelopment Project has pledged moneys in the Agency's Low and Moderate Income Housing Fund derived from the North Park Redevelopment Project as security for its obligation to pay approximately 24.0% of combined debt service on the following bonds:

  (i) $7,000,000 initial aggregate principal amount North Park Redevelopment Project, Tax Allocation Bonds, Series 2000 (the "North Park 2000 Senior Bonds"); and

  (ii) $7,145,000 initial aggregate principal amount North Park Redevelopment Project, 2003 Tax Allocation Bonds Series A (Taxable) and $5,360,000 initial aggregate principal amount North Park Redevelopment Project, 2003 Tax Allocation Bonds, Series B (Tax-Exempt) (together, the "North Park 2003 Senior Bonds").

  The North Park 2003 Senior Bonds were issued on a parity with the North Park 2000 Senior Bonds. The North Park 2000 Senior Bonds and the North Park 2003 Senior Bonds are referred to together as the "North Park Senior Bonds".

Future Senior Obligations and Future Parity Obligations. The Agency is permitted under the Indenture to incur additional obligations ("Parity Bonds," and together with the 2010 Bonds, "Bonds") secured by a pledge of Tax Revenues on a parity with the pledge of Tax Revenues to the 2010 Bonds. The Agency may not issue additional bonds with a senior lien to the 2010 Bonds, except as described herein under "SECURITY FOR THE 2010 BONDS – Additional Debt."

Common Pledge. The City of San Diego (the "City") and the Agency have made findings that the Housing Projects financed with proceeds of the 2010 Bonds, although they may be located outside the Redevelopment Project Areas, will benefit all six Redevelopment Project Areas; as a result, Tax Revenues includes Housing Set-Aside generated in each Redevelopment Project Area without consideration of in which Redevelopment Project Area the Housing Projects are actually built. All of the Tax Revenues received in any fiscal year from each of the six Redevelopment Project Areas will be deposited in the Special Fund of the Agency and used as set forth in the Indenture. See "SECURITY FOR THE 2010 BONDS – Special Fund; Deposit of Tax Revenues" herein.

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a designated redevelopment project area. The redevelopment agency establishes the taxable valuation of a redevelopment project area as last equalized before the adoption of the redevelopment plan, or base roll (the "Base Year Valuation"). Subsequently, the taxing agencies receive the taxes produced by the levy of the then-current tax rate upon the Base Year Valuation (except for any period during which the taxable valuation drops below the Base Year Valuation).

Taxes collected upon any increase in taxable valuation over the Base Year Valuation 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. No less than 20% of taxes allocated to a redevelopment agency (i.e., the Housing Set-Aside) must be set aside in a separate fund to develop and maintain low- and moderate-income housing in the City. Redevelopment agencies themselves have no taxing power.

Tax Revenues which secure the 2010 Bonds consist solely of the Housing Set-Aside *less* that portion of the Housing Set-Aside used by the Agency to pay the Existing Senior Obligations.

The City and the Agency

The City. The City of San Diego (the "City") is located in the County of San Diego (the "County"). The City encompasses approximately 342 square miles in the western portion of San Diego County. The City is the county seat of the County. The January 2010 population of the City was estimated to be 1,376,173. The City was first incorporated in 1850, and operates under and is governed by the laws of the State of California and its own Charter as periodically amended since its adoption by the electorate in 1931. The City operates under a Strong-Mayor form of government, approved by the voters on June 8, 2010. The Mayor is elected at large to serve a four year term. Eight council members are elected by districts, for four-year staggered terms. The Council is presided by the Council President, who is selected by a majority vote of the Council. Under the Strong-Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight over all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst (IBA), City Attorney, and City Auditor departments. Under this form of government, the City Council is composed of eight members and is presided over by the Council President, who is selected by a majority vote of the City Council. The Mayor presides over City Council in closed session meetings of the Council. The Council retains its legislative authority; however, all City Council resolutions and ordinances are subject to a veto of the Mayor except for certain ordinances including emergency declarations and the City's annual Salary and Appropriations Ordinances. The City Council may override a Mayoral veto with five votes. The City Attorney, who is elected for a four-year term, serves as the chief legal advisor of and attorney for the City and all departments. During the County's primary election held on June 3, 2008, voters approved Proposition B which required City Council to place a measure on the June 2010 ballot to allow voters to decide whether the Strong-Mayor form of government should become permanent effective January 1, 2011. Additionally, Proposition B provided for the public to decide whether the number of City Council districts should increase from eight to nine, and therefore, a corresponding increase of City Council votes required to override the Mayor's veto from five to six. That measure, Proposition D, was approved by voters on June 8, 2010. For certain information with respect to the City, see APPENDIX B - "CERTAIN INFORMATION REGARDING THE CITY OF SAN DIEGO AND THE SURROUNDING AREA."

The Agency. The Redevelopment Agency of the City of San Diego was established by the City Council in 1958. The City Council is the Board of Directors of the Agency. Project implementation and administration for the Agency are provided by three separate and distinct organizations: Centre City Development Corporation, Southeastern Economic Development Corporation and the Redevelopment Division of the City's City Planning & Community Investment Department. The Redevelopment Division performs general administration for the Redevelopment Agency, coordinates budget and reporting requirements, and maintains the Agency's meeting docket and official records. The Division also administers eleven project areas which include Barrio Logan, City Heights College Community, College Grove, Crossroads, Grantville, Linda Vista, Naval Training Center, North Bay, North Park and San Ysidro.

The Authority. The Authority is a public agency duly organized and existing pursuant to a Second Amended and Restated Joint Exercise of Powers Agreement, dated as of October 29, 2002 (the "Agreement"), between the City and the Agency. The Agreement was entered into pursuant to the provisions of Articles 1 and 2 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California. The members of the governing Commission of the Authority consist of the City Treasurer, the Assistant Executive Director of the Agency and three members of the public who are appointed by the Mayor and confirmed by the City Council and the Agency. The Authority was created for the primary purpose of assisting in the financing of certain public capital facilities improvements of the City and the Agency. No assets or property of the Authority secure the payment of debt service on the Bonds.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "projected" 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. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct in whole or in part. The Agency is not obligated to issue any updates or revisions to the forward-looking statements if or when expectations, or events, conditions or circumstances on which such statements are based do or do not occur.

Continuing Disclosure

The Agency has agreed to provide, in accordance with Rule 15c2-12(b)(5), promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), notice of certain material events. These covenants have been made in order to assist the Underwriters in complying with the Rule. Beginning in March 2004, the Agency failed to comply with various filing deadlines for a number of undertakings due to the unavailability of audited financial statements for the Agency. Each required annual report and audited financial statement was subsequently filed. As of June 2010, the Agency was current with its filings and is in compliance with its continuing disclosure obligations. See "CONTINUING DISCLOSURE" herein.

2006 SEC Order and Related Matters

SEC Order. On November 14, 2006, the City entered into a cease-and-desist order (the "Order") with the Securities and Exchange Commission (the "Commission") relating to violations of the antifraud provisions of the federal securities laws in connection with the offer and sale of municipal securities in calendar years 2002 and 2003, and other related public financial disclosures concerning its pension and retiree health care liabilities. The Commission concluded that the "City, through its officials, acted with scienter," because "City officials acted recklessly in failing to disclose material information regarding [pension and retiree health care] liabilities." The Order imposed certain remedial sanctions, including the retention of an independent consultant to review and assess the City's policies, procedures and internal controls with respect to bond offerings, including disclosures made in its financial statements. The Order settled all claims between the City and the Commission with respect to the alleged violations of the federal securities laws in 2002 and 2003. On January 16, 2007, the

City retained Stanley Keller of the law firm of Edwards Angell Palmer & Dodge, LLP to serve as independent consultant (the "Independent Consultant"). The Independent Consultant was required to conduct annual reviews of the City's policies, procedures and internal controls for a three year period, and provide copies of such reports to the Commission. The Independent Consultant's final report was presented to the City Council on March 8, 2010.

Audited Financial Reports. As a result of various investigations into the City regarding, principally, the events that were the subject of the SEC Order, the completion and release of the City's and Agency's audited financial statements were substantially delayed. The City issued its Comprehensive Annual Financial Reports (each a "CAFR") with unqualified opinions for Fiscal Years 2003 through 2008 during the period from June 2007 through March 2009. The City received an unqualified opinion from its outside auditor on December 21, 2009, with respect to the Fiscal Year 2009 CAFR, which was received and filed with the City Council on February 1, 2010. The City and the Agency are now current with respect to all financial reporting.

Definitions and Summaries

Definitions of certain terms used in this Official Statement are set forth in "APPENDIX D - SUMMARY OF TRUST INDENTURE." This Official Statement contains brief descriptions of, among other things, the 2010 Bonds, the Indenture, the Agency and the Redevelopment Project Areas. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to those documents, and references to the 2010 Bonds are qualified in their entirety by reference to the forms of Bond included in the Indenture. Copies of the Indenture and other documents described in this Official Statement may be obtained from the Trustee.

Professionals Involved in the Financing.

David Taussig & Associates, Inc., Newport Beach, California, is acting as fiscal consultant to the Agency and has prepared an analysis of taxable values and tax increment revenue with respect to the Redevelopment Project Areas. See APPENDIX A - "FISCAL CONSULTANT REPORT."

Kitahata & Company, San Francisco, California, is serving as financial advisor to the Agency for its 2010 Bonds.

All proceedings in connection with the issuance of the 2010 Bonds are subject to the approval of Best Best & Krieger, LLP, Riverside, California, as bond counsel. Best Best & Krieger LLP is also acting as disclosure counsel to the Agency. Nossaman LLP, Irvine, California, is acting as underwriter's counsel to De La Rosa & Co. and Piper Jaffray & Co. Certain matters will be passed upon for the Agency and the City by the City Attorney. Payment of the fees and expenses of bond counsel, disclosure counsel, underwriter's counsel and the underwriter is contingent upon issuance of the 2010 Bonds.

FINANCING PLAN

The Housing Projects

The Agency expects to use certain proceeds of the 2010 Bonds to repay lines of credit described below and also to finance the following Housing Projects of benefit to the Redevelopment Project Areas:

<u>City Heights</u>

- **Home in the Heights Program** – Provides qualified homebuyers with a household income of 100% or less of the Area Median Income ("AMI") a silent second mortgage loan of up to $30,000 from the Redevelopment Agency. The term of the loan is twenty years. Principal and interest are forgivable over the 20-year period, provided the participant remains the owner of and continuously lives in the home and does not refinance the first mortgage debt without permission from the Redevelopment Agency. In addition, Home in the Heights provides for

education to first-time homebuyer participants on the financial responsibilities and considerations of homeownership.

- **Housing Enhancement Loan Program** - The Housing Enhancement Loan Program provides forgivable loans ranging from $5,000 to $30,000 to qualified homeowners living in or near the City Heights Project Area whose gross household income does not exceed 100% AMI. The loans are forgivable over 10 years and accrue annual simple interest of three percent. Eligible improvements include interior and exterior repairs to remove health and safety hazards, enhance curb appeal, or provide energy reduced energy and/or landscape-related water consumption.

- **Urban Village Office and Townhomes Project promissory note** – In May 2000, the Agency entered into a Disposition and Development Agreement ("DDA") in which the Agency pledged funding assistance for 116 affordable housing units in the City Heights Urban Village Town Homes and Office Project.

- **Fairmount 26** – A proposed mixed use project composed of 26 affordable rental units, 1,295 square feet of classroom space, and 4,000 square feet of commercial/retail space. The rental units will be restricted to households with low and very low income.

- Acquisition, rehabilitation, new construction, potential opportunity purchases.

Crossroads

- Acquisition, rehabilitation, new construction, potential opportunity purchases.

Naval Training Center

- Acquisition, rehabilitation, new construction, potential opportunity purchases.

North Bay

- Acquisition, rehabilitation, new construction, potential opportunity purchases.

North Park

- **Florida Street Apartments** – An 83-unit affordable rental complex on Florida Street south of University developed and managed by Community HousingWorks.

- **Western Pacific developer loan repayment** - In April 2004, the Agency entered into a DDA with Western Pacific Housing, Inc. for the development of a 224-unit mixed use project which included an Agency subsidy for the inclusion of 45 for-sale affordable residential units.

- Acquisition, rehabilitation, new construction, potential opportunity purchases.

San Ysidro

- Acquisition, rehabilitation, new construction, potential opportunity purchases.

The housing projects listed herein are not comprehensive, and such list may change at the discretion of the Agency.

The Bank Lines of Credit

The Agency will also use a portion of the proceeds of the 2010 Bonds to repay bank lines of credit from [U.S. Bank, as successor in interest to] San Diego National Bank (the "Bank") for low and moderate income housing projects for the City Heights Redevelopment Project, Naval Training Center Redevelopment Project,

North Bay Redevelopment Project, and North Park Redevelopment Project. Upon repayment, the lines of credit will be terminated. The Bank lines of credit were obtained under credit agreements between the Agency and the Bank entered into on July 26, 2007, as amended and extended in July, 2010, and are in the following outstanding amounts:

Project Area	Bank Line of Credit	Amount Drawn
City Heights	$11,000,000	$4,153,000
North Bay	8,600,000	8,580,000
North Park	7,300,000	7,300,000
Naval Training Center	7,100,000	5,600,000

Estimated Sources and Uses of Funds

The following is a table of estimated sources and uses of funds with respect to the 2010 Bonds.

Sources:

Par Amount
Plus: Other Available Moneys
[Less: Original Issue Discount/Plus: Original Issue Premium]

Total Sources

Uses:

Costs of Issuance[1]
Deposit to Reserve Account
Pay to Bank to repay Lines of Credit
Deposit to Housing Projects Fund

Total Uses

[1] Includes Underwriter's discount, fees and expenses of bond counsel, disclosure counsel, financial advisor, fiscal consultant, trustee and escrow agent fees and expenses, [insurance premium], costs of printing the preliminary and final official statement and rating agency fees.

THE 2010 BONDS

Description

The 2010 Bonds will be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple of $5,000.

The 2010 Bonds will be issued only as one fully registered bond for each maturity, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of all of the 2010 Bonds. See "APPENDIX G - BOOK-ENTRY ONLY SYSTEM." Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture.

The 2010 Bonds will be dated their date of issuance and will mature on the dates and in the amounts, and will bear interest (calculated on the basis of a 360 day year comprised of twelve 30-day months) at the rates, set forth on the inside front cover of this Official Statement.

Interest on the 2010 Bonds will be payable on each March 1 and September 1, commencing March 1, 2011 (each, an "Interest Payment Date").

Interest on the 2010 Bonds is payable on each Interest Payment Date until maturity or prior redemption, as provided in the Indenture. Each 2010 Bond will 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 such Interest Payment Date, or unless it is authenticated on or before February 15, 2011 in which event it shall bear interest from their date of issuance. If at the time of authentication interest is in default, the 2010 Bond shall bear interest from the Interest Payment Date to or for which interest has been paid.

Redemption

Optional Redemption. The 2010 Bonds maturing on or before September 1, 2020, are not subject to call and redemption prior to maturity. The 2010 Bonds maturing on or after September 1, 2021 shall be subject to call and redemption prior to maturity, at the option of the Agency, as a whole or in part, on any date, among maturities as shall be determined by the Agency, and by lot within each maturity (each 2010 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, 2020 at a redemption price for each redeemed Bond equal to the principal amount thereof, with accrued interest to the date of redemption, without premium.

Sinking Fund Redemption. The 2010 Bonds maturing on September 1, _____ and September 1, _____ are subject to mandatory sinking fund redemption in part, by lot, on each September 1, 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:

2010 Term Bond Due September 1, ___

Payment Date (September 1)	Amount

2010 Term Bond Due September 1, ____

Payment Date (September 1)	Amount

If some but not all of the 2010 Bonds have been optionally redeemed, the total amount of all future Sinking Account payments set forth above will be reduced by the combined principal amount of 2010 Bonds optionally redeemed, to be allocated among the Sinking Account payments as are subsequently payable on a pro rata basis in integral multiples of $5,000 as determined by the Trustee.

Open Market Purchase of 2010 Bonds

The Agency may at any time buy 2010 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 2010 Bonds so purchased, plus any applicable premium and any 2010 Bonds so purchased shall be tendered to the Trustee for cancellation.

Notice of Redemption

The Trustee, on behalf and at the expense of the Agency, will mail, not less than 30 nor more than 60 days prior to the redemption date by first class mail to each of the Owners designated for redemption at their addresses appearing on the 2010 Bond registration books of the Trustee on the date such 2010 Bonds are selected for redemption.

Each notice of redemption must (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 2010 Bonds to be redeemed, the individual number of each 2010 Bond to be redeemed or that all 2010 Bonds between two stated numbers (both inclusive) or that all of the 2010 Bonds are to be redeemed and, in the case of 2010 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 2010 Bond the redemption price thereof and that from and after such redemption date interest thereon shall cease to accrue; and (f) require that such 2010 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.

Except in the case of optional redemption from the issuance of refunding obligations, the Trustee will not mail a redemption notice prior to the receipt of funds required for the redemption. Any notice of optional redemption from the issuance of proceeds of refunding bonds shall state that such redemption is subject to the receipt of proceeds for such refunding obligations. Any optional redemption notice sent by the Trustee prior to the receipt of proceeds of refunding obligations may be rescinded if such refunding obligations are not issued and proceeds thereof are not received by the Trustee, upon the mailing to the 2010 Bond Owners by the Trustee of a written notice of such rescission, in which event the 2010 Bonds will not be redeemed and interest will continue to accrue thereon.

Other Redemption Provisions

Partial Redemption. If only a portion of any 2010 Bond is called for redemption, then upon surrender of that 2010 Bond the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Agency, a new 2010 Bond or 2010 Bonds of authorized denomination, and of the same maturity and series and equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption. When notice of redemption has been and when the amount necessary for the redemption of the 2010 Bonds called for redemption has been set aside for that purpose, the 2010 Bonds designated for redemption shall become due and payable on the redemption date thereof at the place specified in the notice of redemption. Such 2010 Bonds shall be redeemed and paid at said redemption price, and no interest will accrue on such 2010 Bonds called for redemption from and after the redemption date specified in such notice.

All 2010 Bonds so redeemed will be canceled by the Trustee and will not be reissued. All unpaid interest with respect to the 2010 Bonds payable at or prior to the redemption date will continue to be payable to the respective Owners thereof, or their order, but without interest thereon.

Debt Service Schedule

The following table sets forth annual debt service on the 2010 Bonds. See "SECURITY FOR THE 2010 BONDS – Existing Senior Obligations" for a description of certain obligations of the Agency payable from Housing Set-Aside on a basis senior to the 2010 Bonds.

Redevelopment Agency of
the City of San Diego
Housing Set-Aside-Tax Allocation Bonds
Debt Service Schedule

Year Ending (September 1)	Principal	Interest	Total

SECURITY FOR THE 2010 BONDS

Security for the 2010 Bonds

Subject only to the payment and reimbursement of the fees, charges and expenses of the Trustee, as provided in the Indenture, the 2010 Bonds (and any Parity Bonds) are secured by:

- a first lien and pledge of all of the Tax Revenues,
- a pledge of all of the moneys in the Special Fund, the Bond Fund, the Interest Account, the Principal Account, the Reserve Account and the Redemption Fund, and
- all amounts derived from the investment of the moneys in these accounts.

Allocation of Taxes

As provided in the Redevelopment Plans, and in Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in a Redevelopment Project Area each year by or for the benefit of the State of California, any city, county, city and county, district, or other public corporation for fiscal years beginning after the effective date of the ordinance approving a Redevelopment Plan shall be divided as follows:

1. That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said taxing agencies upon the total sum of the assessed value of the taxable property in the Redevelopment Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance approving the Redevelopment Plan shall be allocated to, and when collected shall be paid into the funds of the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid; and

2. Except for taxes which are attributable to a tax levy by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the applicable taxing agency, that portion of levied taxes each year in excess of such amount will be allocated to, and when collected, will be paid to the Agency to pay the principal of and interest on loans to, money advanced to, or indebtedness incurred by the Agency to finance redevelopment projects.

Pledge of Tax Revenues

The 2010 Bonds (and any Parity Bonds) are secured by a first pledge of and lien on "Tax Revenues", which consists of that portion of taxes annually allocated to the Agency with respect to the Project Areas following the Closing Date pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plans, including all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, that are required to be deposited into the Housing Fund of the Agency in any Fiscal Year pursuant to Sections 33334.2 and 33334.3 of the Redevelopment Law, and subject to the following limitations with respect to the Senior Bonds:

(i) with respect to the City Heights Redevelopment Project, there shall be excluded any such taxes pledged to and used to pay debt service on the City Heights 2003 Senior Bonds pursuant to the City Heights 2003 Senior Indenture;

(ii) with respect to the North Bay Redevelopment Project, there shall be excluded any such taxes pledged to and used to pay debt service on the North Bay 2000 Senior Bonds pursuant to the North Bay 2000 Senior Indenture; and

(iii) with respect to the North Park Redevelopment Project, there shall be excluded any such taxes pledged to and used to pay (a) debt service on the North Park 2000 Senior Bonds pursuant to the 2000 Senior Indenture and (b) debt service on the North Park 2003 Senior Bonds pursuant to the North Park 2003 Senior Indenture.

Special Fund; Deposit of Tax Revenues

The Agency holds a special fund known as the "Housing Set-Aside Tax Allocation Bonds Special Fund" (the "Special Fund"). The Agency is required to deposit all of the Tax Revenues received in any Bond Year in the Special Fund; provided, that the Agency will not be obligated to deposit in the Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in the Special Fund exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, Principal Account and the Reserve Account in such Bond Year.

On or before the fifth day immediately preceding each Interest Payment Date, the Agency will transfer from the Special Fund to the Bond Fund an amount equal to the principal and interest owing on the 2010 Bonds on such Interest Payment Date and an amount, if any, necessary to increase the amount in the Reserve Account to the Reserve Requirement. Any 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 will be released from the pledge and lien of the Indenture and may be used for any lawful purposes of the Agency.

Existing Senior Obligations

As explained above under "INTRODUCTION – Security for the Bonds," "Tax Revenues" does not include Housing Set-Aside used by the Agency to meet the following payment obligations:

- City Heights Redevelopment Project has pledged moneys in the Agency's Low and Moderate Income Housing Fund derived from the City Heights Redevelopment Project as security for its obligation to pay debt service on the $4,955,000 initial aggregate principal amount City Heights Redevelopment Project, 2003 Housing Set-Aside Tax Allocation Bonds Series A (Taxable) and $865,000 initial aggregate principal amount City Heights Redevelopment Project, 2003 Housing Set-Aside Tax Allocation Bonds, Series B (Tax-Exempt) (together, the "City Heights 2003 Senior Bonds"); and

- North Bay Redevelopment Project has pledged moneys in the Agency's Low and Moderate Income Housing Fund derived from the North Bay Redevelopment Project as security for its obligation to pay 25% of debt service on the $13,000,000 initial aggregate principal amount North Bay Redevelopment Project, Tax Allocation Bonds, Series 2000 (the "North Bay 2000 Senior Bonds").

- North Park Redevelopment Project has pledged moneys in the Agency's Low and Moderate Income Housing Fund derived from the North Park Redevelopment Project as security for its obligation to pay approximately 24.0% of debt service on the following bonds:

  (i) $7,000,000 initial aggregate principal amount North Park Redevelopment Project, Tax Allocation Bonds, Series 2000 (the "North Park 2000 Senior Bonds"); and

  (ii) $7,145,000 initial aggregate principal amount North Park Redevelopment Project, 2003 Tax Allocation Bonds Series A (Taxable) and $5,360,000 initial aggregate principal amount North Park Redevelopment Project, 2003 Tax Allocation Bonds, Series B (Tax-Exempt) (together, the "North Park 2003 Senior Bonds").

The following table shows the payments from Housing Set-Aside required for payment of the required percentage of maximum annual debt service on the Senior Bonds shown below:

TABLE 1
Existing Senior Obligations
City Heights Redevelopment Project,
North Bay Redevelopment Project and
North Park Redevelopment Project

Bond Issue	City Heights	North Bay	North Park
City Heights 2003 Senior Bonds	100%		
North Bay 2000 Senior Bonds		25.0%	
North Park 2000 Senior Bonds			24.5%
North Park 2003 Senior Bonds			41.1%

Additional Debt

Issuance of Future Parity Bonds. The Agency has covenanted not to issue obligations with a lien on Tax Revenues senior to the lien of the 2010 Bonds, except to refund the Senior Bonds, as described below. However, in addition to the 2010 Bonds, the Indenture authorizes the Agency to incur additional obligations payable from Tax Revenues equally and ratably with the 2010 Bonds ("Parity Bonds"), subject to the conditions set forth in the Indenture, including the following (see APPENDIX D - SUMMARY OF TRUST INDENTURE" for a more complete summary of the conditions for issuance of Parity Bonds):

(a) No Event of Default under the Indenture shall have occurred and be continuing;

(b) The Agency shall deliver a certificate to the Trustee stating that Tax Revenues (plus amounts pledged to the City Heights 2003 Senior Bonds, the North Bay 2000 Senior Bonds, the North Park 2000 Senior Bonds and the North Park 2003 Senior Bonds) to be allocated and paid to the Agency in each Fiscal Year during the term of the Parity Bonds, plus at the option of the Agency the Additional Allowance, as set forth in the certificate of the Agency taking into account all Redevelopment Plan limitations, tax sharing agreements and other factors which would cause a reduction in Tax Revenues in any future Fiscal Year, will be at least equal to 125% of the sum of (i) the Annual Debt Service coming due and payable in the corresponding Fiscal Year on all Bonds (Excluding Escrow Bonds, defined below) which will be Outstanding following the issuance of such Parity Bonds; and (ii) the following percentage of the annual Senior Bonds Debt Service of the Senior Bonds that will be outstanding following the issuance of such Parity Bonds: 25% in the case of the North Bay Senior Bonds; 100% in the case of the 2003 City Heights Senior Bonds; and 24% in the case of North Park Senior Bonds (consisting of 24.5% in the case of the North Park 2000 Senior Bonds; and 41.1% in the case of the North Park 2003 Senior Bonds);

(c) The Agency shall certify to the Trustee that the issuance of such Parity Bonds shall not cause the Agency to exceed any applicable limitations under the Redevelopment Plans. Without limiting the generality of the foregoing, the Agency may not issue any Parity Bonds in the event and to the extent that either:

(i) the aggregate amount of debt service on all outstanding obligations of the Agency, including such Parity Bonds, exceeds the aggregate amount of Tax Revenues which are eligible under the Redevelopment Plans to be allocated and paid to the Agency during the period while such outstanding obligations remain outstanding, or

(ii) the aggregate principal amount of all outstanding obligations of the Agency, including such Parity Bonds, exceeds any applicable limit in the Redevelopment Plans on the aggregate principal amount of indebtedness which the Agency is permitted to have outstanding at any one time;

(d) The Supplemental Indenture authorizing the issuance of Parity Bonds shall provide that (i) interest on such Parity Bonds shall be calculated at a fixed interest rate if the Agency determines in such Supplemental Indenture that it is to be paid on a current basis, shall be payable on March 1 and September 1 in each year of the term of such Parity Bonds except the first twelve-month period during which interest may be payable on any March 1 or September 1, 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) Money shall be deposited in the Reserve Account or in a subaccount therein (or a Qualified Reserve Account Credit Instrument provided) in an amount sufficient to increase the amount on deposit in the Reserve Account to an amount equal to the Reserve Requirement for all outstanding Bonds, including such Parity 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.

For the purposes of the calculation of the coverage requirements with respect to the issuance of Parity Bonds, Outstanding Bonds and Parity Bonds shall not include a principal amount of such Parity Bonds, determined on such basis among maturities as the Agency may determine, equal to the proceeds of such Parity Bonds to be deposited in an escrow fund established for such Parity Bonds (the "Escrowed Bonds"), provided that the Supplemental Indenture authorizing the issuance of such Parity Bonds shall provide that:

(1) Such proceeds shall be invested in Permitted Investments, and an amount equal to the difference between the projected interest earnings on such proceeds and the interest due on the Escrowed Bonds shall be deposited in the Interest Account so as to pay interest on the Escrowed Bonds as it becomes due and payable;

(2) Moneys may be transferred from the escrow fund established for the Escrowed Bonds only if a Tax Revenue Certificate establishes that the amount of Tax Revenues, after the proposed transfer date of such Parity Bonds to be allocated and paid to the Agency in each Fiscal Year during the term of the Parity Bonds as projected by a Redevelopment Consultant taking into account all Redevelopment Plan limitations, tax sharing agreements and other factors which would cause a reduction in Tax Revenues in any future Fiscal year, will be at least equal to 125% of the Annual Debt Service coming due and payable in the corresponding Fiscal Year on all Bonds and Senior Bonds calculated in the manner set forth in (b) above (excluding the remaining Escrowed Bonds) which will be Outstanding following such transfer date;

(3) The Agency shall provide to the Trustee a certification with respect to the matters set forth in subsections (b), (c) and (e) above, provided that such certification shall include the Escrowed Bonds allocable to such moneys so transferred from such escrow fund; and

(4) Such Parity Bonds shall be redeemed from moneys remaining on deposit in the escrow fund established for the Escrowed Bonds at the expiration of a specified escrow period in such manner as may be determined by the Agency in the Supplemental Indenture;

Any computations establishing that debt service coverage is sufficient to support the issuance of Parity Debt or that requisite debt service savings are available to support the issuance of refunding bonds shall, in all cases, be evidenced by a certificate of an Independent Certified Public Accountant or an Independent Financial Consultant.

In addition, the Agency must provide an opinion of Bond Counsel that the execution of the Supplemental Indenture has been duly authorized by the Agency in accordance with the 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 that the issuance of the Parity Bonds will not in and of

itself impair the exclusion for federal income tax purposes of interest on any tax-exempt Outstanding Parity Bonds.

Issuance of Subordinate Debt. In addition, the Agency may issue or incur obligations payable from Tax Revenues on a subordinate basis to the pledge of Tax Revenues to the repayment of the 2010 Bonds or Parity Bonds so long as (i) following an Event of Default under the Indenture, no Subordinate Debt shall be paid prior to the 2010 Bonds or any other Parity Bonds in any fiscal year of the Agency, and (ii) if the holder of any Subordinate Debt is a commercial bank, savings bank, savings and loan association or other financial institution which is authorized by law to accept and hold deposits of money or issue certificates of deposit, such holder must agree to waive any common law or statutory right of setoff with respect to any deposits of the Agency maintained with or held by such holder. See APPENDIX D – "SUMMARY OF TRUST INDENTURE".

"Annual Debt Service" means, for each Fiscal Year, the sum of (a) the interest payable on the Outstanding Bonds in such Fiscal Year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds are redeemed from sinking fund payments as scheduled and (b) the principal amount of the Outstanding Serial Bonds payable by their terms in such Fiscal Year and the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from (c) sinking fund payments in such Fiscal Year, excluding the redemption premiums, if any, thereon.

Additional Refunding Bonds of Senior Bonds and Limitation of Pledge, City Heights, North Bay or North Park Senior Lien Housing Bonds. Additional bonds on a parity with the Senior Bonds may only be issued under the Senior Bonds Indentures for the purpose of refunding, in whole or in part, the Senior Bonds, or any refunding of all or any portion thereof, and only so long as such refunding results in debt service savings for the refunded Senior Bonds in each fiscal year, and the maturity of the Refunding Bonds is not later than the maturity of the Senior Bonds to be refunded, as evidenced by a Certificate of the Agency.

(i) The Agency represents in the Indenture that the pledge of housing set-aside tax increment under the City Heights 2003 Senior Indenture is limited to 100% of maximum annual debt service on the City Heights 2003 Senior Bonds;

(ii) The Agency represents in the Indenture that the pledge of housing set-aside increment under the North Bay 2000 Senior Indenture is limited to 25% of maximum annual debt service on the North Bay 2000 Senior Bonds; and

(iii) The Agency represents in the Indenture that the pledge of housing tax increment under the North Park Senior Indenture is limited to 24% of the maximum annual debt service on the North Park Senior Bonds (consisting of 24.5% of maximum annual debt service on the North Park 2000 Senior Bonds and 41.1% of maximum annual debt service on the North Park 2003 Senior Bonds).

Reserve Account

The 2010 Bonds and any Parity Bonds are secured by a Reserve Account established pursuant to the Indenture, and maintained in an amount equal to the Reserve Requirement.

The "Reserve Requirement" is defined in the Indenture to be, with respect to the 2010 Bonds (and any Parity Bonds), as of the date of calculation an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of the Bonds (less original issue discount in excess of two percent); (ii) Maximum Annual Debt Service on the Bonds; or (iii) 125% of average Annual Debt Service on the Bonds; provided however, that the Reserve Requirement shall be calculated without regard to Escrowed Bonds, as defined in the Indenture.

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 applicable series of Bonds, in the event that no other money of the Agency is lawfully available therefor, or for the retirement of the applicable series of Bonds, then Outstanding, except that so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the amount

required by this paragraph to be on deposit therein except as herein otherwise provided, shall be, if directed by the Agency, transferred to the Bond Fund.

The Reserve Requirement for the 2010 Bonds may be satisfied in whole or in part by crediting to the Reserve Account moneys, a Qualified Reserve Account Credit Instrument.

A "Qualified Reserve Account Credit Instrument" means any irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company at the time of issuance of such letter of credit or surety bond is in one of the two highest rating categories by S&P and Moody's; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account, or the Principal Account for the purpose of making required payments; and (e) written notice of the posting of such Qualified Reserve Account Credit Instrument is given to the Rating Agencies.

See APPENDIX D – "SUMMARY OF TRUST INDENTURE" for a summary of the provisions of the Indenture relating to the Reserve Account.

Agency Deposit Fund.

The Indenture establishes a special fund to be known as the "Agency Deposit Fund" (the "Agency Deposit Fund"), which shall be held by the Trustee. The Trustee shall receive and deposit to the Agency Deposit Fund on the Closing Date the Agency Deposit. The "Agency Deposit" means the amount of $_____ deposited by the Agency, from moneys on hand with the Agency, into the Agency Deposit Fund. Amounts on deposit in the Agency Deposit Fund are pledged to repayment of the Bonds, subject to release as set forth below, and the Bonds are secured by said pledge of and first lien on the Agency Deposit and all of the moneys on deposit in the Agency Deposit Fund.

Moneys on deposit in the Agency Deposit shall be used by the Trustee for transfer to the Interest Account and Principal Account, in said order of priority, if on any Interest Payment Date or Principal Payment Date, the amounts on deposit in said accounts are not sufficient to make a payment then due on the Bonds; provided that the amounts to be withdrawn from the Agency Deposit Fund for said purpose in any Bond Year shall not exceed on any such payment date in said Bond Year the amounts set forth in the following table (each an "Agency Deposit Fund Withdrawal"):

Bond Year	Agency Deposit Fund Withdrawal
	[TO COME]

If, following the end of any Bond Year, any portion of the Agency Deposit Fund Withdrawal for said Bond Year remains on deposit in the Agency Deposit Fund, the Trustee shall transfer said amount to the Agency for use by the Agency for any lawful purpose under the Law. Moneys in the Agency Deposit Fund shall be invested in Permitted Investments as directed by the Agency. All income received by the Trustee from the investment of moneys in the Agency Deposit Fund shall be transferred and deposited as received by the Trustee into the Special Fund.

TAX ALLOCATION FINANCING AND LIMITATIONS ON RECEIPT OF TAX INCREMENT

Introduction

The Redevelopment Law and the California Constitution provide a method for financing and refinancing redevelopment projects based upon an allocation of taxes collected within a project area. First, the assessed valuation of the taxable property in a project area last equalized prior to adoption of the related

redevelopment plan is established and becomes the base roll. Thereafter, except for any period during which the assessed valuation drops below the base year level, the taxing agencies on behalf of which taxes are levied on property within the project area will receive the taxes produced by the levy of the then current tax rate upon the base roll. Except as discussed in the following paragraph, taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves have no authority to levy taxes on property and must look specifically to the allocation of taxes produced as above indicated.

The California Legislature placed on the ballot for the November 1988, general election Proposition No. 87 (Assembly Constitutional Amendment No. 56) pertaining to allocation of tax increment revenues. This measure, which was approved by the electorate, authorized the Legislature to cause tax increment revenues attributable to certain increases in tax rates occurring after January 1, 1989 to be allocated to the entities on whose behalf such increased tax rates are levied rather than to the applicable redevelopment agency, as would have been the case under prior law. The measure applies to tax rates levied to pay principal of and interest on general obligation bonds approved by the voters on or after January 1, 1989. Assembly Bill 89 (Statutes of 1989, Chapter 250), which implements this Constitutional Amendment, became effective on January 1, 1990. The projection of Tax Increment Revenues to be allocated to the Agency assumes a 1% property tax rate as set forth in "APPENDIX A - FISCAL CONSULTANT REPORT."

Property Tax Limitations – Proposition 13

General. On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the California Constitution ("Article XIIIA"). Article XIIIA limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to October 1, 1978 and (as a result of an amendment to Article XIIIA approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after October 1, 1978 by the voters voting on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased from year to year by the lesser of the inflationary rate and two percent.

Article XIIIA also permits the reduction of the "full cash value" base in the event of declining property values caused by reduction in the consumer price index, damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in various other minor or technical ways.

The Agency has no power to levy and collect taxes. Any further reduction in the tax rate or the implementation of any constitutional or legislative property tax de-emphasis will reduce Tax Revenues, and, accordingly, would have an adverse impact on the ability of the Agency to pay debt service on the 2010 Bonds.

Implementing Legislation. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981/82 fiscal year, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value, which was expressed as $4.00 per $100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed

as $1.00 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Appropriations Limitations – Gann Initiative

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

Effective November 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIIIB, nor shall such portion of taxes be deemed receipt of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law.

Proposition 218

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Tax Revenues securing the Series 2010 Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which were limited by Proposition 218.

SB211

The California Legislature enacted SB211, Chapter 741, Statutes 2001, effective January 1, 2002 ("SB211"). SB211 provides, among other things, that at anytime after January 1, 2002 the time limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994 may be deleted by ordinance of the legislative body. However, such deletion will trigger statutory tax sharing with those taxing entities that do not have tax sharing, or pass-through, agreements. Tax sharing will be calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective.

SB211 also authorizes the amendment of a redevelopment plan adopted prior to January 1, 1994, in order to extend for not more than 10 years the effectiveness of the redevelopment plan and the time to receive tax increment revenues and to pay indebtedness. Any such extension must meet certain specified requirements, including the requirement that the redevelopment agency establish the existence of both physical and economic blight within a specified geographical area of the redevelopment project and that any additional tax increment revenues received by the redevelopment agency because of the extension be used solely within the designated blighted area. SB211 authorizes any affected taxing entity, the State Department of Finance, or the State Department of Housing and Community Development to request the Attorney General to participate in the proceedings to effect such extensions. It also would authorize the Attorney General to bring a civil action to challenge the validity of the proposed extensions.

SB211 also prescribes additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan.

The City has not adopted any ordinances pursuant to SB211 eliminating the time limit on incurring indebtedness from the Redevelopment Plans.

AB 1389 Payments

On September 24, 2008, the State enacted a budget for Fiscal Year 2008-09 that includes, among other things, the provisions of a bill known as AB 1389. AB 1389 requires redevelopment agencies, under certain circumstances, to submit reports to the office of the county auditor in the county in which they are located. These reports are required to include calculations of the tax increment revenues that redevelopment agencies have received and payments that redevelopment agencies have made pursuant to pass-through agreements with taxing entities and statutory pass-through requirements. County auditors are required to review the reports and, if they concur, issue a finding of concurrence. The State Controller is required to review such reports and submit a report to the Legislative Analyst's office and the Department of Finance identifying redevelopment agencies for which county auditors had not issued a finding of concurrence or are otherwise not in compliance with provisions of AB 1389. AB 1389 includes penalties for any redevelopment agency listed on the most recent State Controller's report, including a prohibition on issuing bonds or other obligations until the listed agency is removed from the State Controller's report.

The Agency filed the required reports with the County Auditor-Controller, and the Agency received notification from the Auditor-Controller at the County to the effect that it concurs with the information contained in the Agency's calculation. The 2008 Report of the State Controller concurred with the Agency's report. As of May 2010, the State Controller's office has not issued the 2009 report.

Section 33607.5 Pass-Through Payments

Prior to the adoption of AB 1290, the Redevelopment Law authorized a redevelopment agency to enter into "pass-through" or "tax-sharing" agreements with taxing entities affected by the adoption of a redevelopment plan. AB 1290 repealed the provisions of the Redevelopment Law which authorized pass-through agreements, and replaced it with a system of statutorily mandated pass-throughs (the "Section 33607.5 Payments").

California Health and Safety Code Section 33607.5 and Section 33607.7 were added to the Redevelopment Law by AB 1290. Section 33607.7 has been further amended by SB 211, Chapter 741, Statutes 2001 ("SB 211"). Together, they require that taxing entities receive an additional portion of tax increment revenues otherwise payable to the redevelopment agency, if such taxing entities were affected by (i) the adoption after January 1, 1994, of a new redevelopment plan for a project area or an amendment to an existing redevelopment plan that added territory to a project area or (ii) the adoption after January 1, 1994 of an amendment (to a redevelopment plan that was adopted before January 1, 1994) which extends the time limit on incurring debt with respect to the project area, extends the time limit for the duration and effectiveness of the redevelopment plan, and/or increases the dollar cap on the amount of tax increment revenues allocable to the redevelopment agency for the project area (see "THE REDEVELOPMENT PROJECT AREAS – Redevelopment Plan Limitations").

All such pass-through payments are subordinate to the pledge of Tax Revenues to pay debt service on the 2010 Bonds.

Unitary Property

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with the fiscal year 1988/89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies and herein defined as "Unitary Property") is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro-rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property has been changed to January 1. Railroad property will continue to be assessed and revenues allocated to all tax rate areas where the railroad property is sited.

Special Subventions

Annual subventions from the State, commonly referred to as Special Subventions, have been a source of revenues for redevelopment projects of many redevelopment agencies. However, to qualify for these Special Subventions the project area must have been in existence prior to the 1980/81 fiscal year. The Project Areas have all been formed after the 1980/81 fiscal year and have therefore never received Special Subventions from the State.

Property Tax Collection Procedures

Classifications. In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (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 record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption and a $15 Redemption Fee. If taxes are unpaid for a period of five years or more, the property is recorded in a "Power to Sell" status and is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property became delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the tax lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase.

Property Tax Administrative Costs. 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. It has been the practice of most California counties, including San Diego County, to reduce an agency's tax increments or bill an agency for their pro rata share of

property tax administration costs. The amount anticipated to be charged by the County from fiscal year 2009/10 Tax Increment Revenues for the Project Areas for this purpose are approximately $451,100, which is allocated among City Heights $127,302, Crossroads $38,357, Naval Training Center $53,849, North Bay $95,812, North Park $78,147, and San Ysidro $57,633.

Certification of Agency Indebtedness

Section 33675 of the Redevelopment Law provides for the filing by redevelopment agencies 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 which receives tax increment. The statement of indebtedness is required to contain the date on which any bonds were delivered, the principal amount, term, purpose, interest rate and total interest payable on such bonds, the principal and interest due in the fiscal year on such bonds and the outstanding balance and amount due on such 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 less the "available revenues" as of the end of the previous fiscal year. The section further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the agency, but that the county auditor may dispute the amount of indebtedness shown on the statement in certain cases. Provision is made for time limits under which the dispute can be made by the county auditor as well as provisions for determination by the Superior Court in a declaratory relief action of the proper disposition of the matter. The issue in any such action shall 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 the section. The 2010 Bonds should be entitled to the protection of that portion of the statute so that they cannot be disputed by the county auditor.

Future Initiatives

Proposition 13, Proposition 4 (Gann Initiative) and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

General

The Redevelopment Agency of the City of San Diego was created by the City Council in 1958 to alleviate conditions of urban blight in designated areas of the City. The Agency's scope and authority stem from the State of California's Health and Safety Code (Section 33000 et seq.), also known as the California Community Redevelopment Law. The law outlines procedures to determine what development, reconstruction, and rehabilitation are needed and desirable. It also defines the financial tools, legal authority, and citizen participation necessary to successfully implement adopted redevelopment plans. The law is designed to promote an improved and safer neighborhood environment and a restoration of community pride.

Redevelopment activities in the Redevelopment Agency's 17 Project Areas are carried out by the City's Redevelopment Division and two non-profit public corporations: Centre City Development Corporation and Southeastern Economic Development Corporation. These Project Areas, located in various parts of the City, encompass more than 10,233 acres. Several major projects and programs in these areas are catalysts for further development.

The Redevelopment Division of the City of San Diego's City Planning and Community Investment Department administers an affordable housing program and 11 of the Redevelopment Agency's 17 Project Areas, encompassing approximately 7,633 acres:

- Barrio Logan
- City Heights
- College Community
- College Grove
- Crossroads
- Grantville
- Linda Vista
- Naval Training Center
- North Bay
- North Park
- San Ysidro

The Centre City Development Corporation (CCDC) was established in 1975 by the City Council to carry out redevelopment activities in Downtown San Diego. CCDC has a seven-member board of directors and a staff to implement programs in its Project Areas comprising approximately 1,450 acres. CCDC administers two redevelopment Project Areas:

- Centre City (Core/Columbia, Cortez, East Village, Gaslamp Quarter, Little Italy, Marina)
- Horton Plaza

The Southeastern Economic Development Corporation (SEDC) was established by the City Council in 1981 to carry out redevelopment in southeastern San Diego. SEDC has a nine-member board of directors and a staff to implement programs in its Project Areas that comprise approximately 1,150 acres. SEDC administers four redevelopment Project Areas and one Study Area:

- Central Imperial
- Gateway Center West
- Mount Hope
- Southcrest
- Dells Imperial Study Area

Agency Administration

The Redevelopment Agency is a separate legal entity, with the City Council serving as its Board. The City Council President chairs the Board, the Mayor is the Executive Director, and the City Attorney serves as General Counsel. The Redevelopment Division of the City Planning & Community Investment Department serves as staff to the Agency per an operating agreement by and between the City and Agency.

BOARD OF DIRECTORS

Member	Position	Term Expires
Ben Hueso, District 8	Chairperson	December 2010
Kevin Faulconer, District 2	Chair Pro Tem	December 2010
Sherri Lightner, District 1	Board Member	December 2012
Todd Gloria, District 3	Board Member	December 2012
Tony Young, District 4	Board Member	December 2010
Carl DeMaio, District 5	Board Member	December 2012
Donna Frye, District 6	Board Member	December 2010
Marti Emerald, District 7	Board Member	December 2012

OFFICIALS

Jerry Sanders, *Executive Director*
Jan Goldsmith, *Agency Counsel*
William Anderson, *Assistant Executive Director*
Janice L. Weinrick, *Deputy Executive Director*
Gail R. Granewich, *Treasurer*
Elizabeth Maland, *Secretary*
Mary Lewis, *Chief Financial Officer, City of San Diego*

Redevelopment Division staff coordinates Agency-wide budget and reporting activities, prepares the Redevelopment Agency Board Docket, maintains the Agency's official records, and administers eight Project Area Committees that advise the Agency on the adoption and implementation of redevelopment plans, programs, and projects.

Redevelopment Division staff also coordinates with CCDC and SEDC, concerning items of Agency-wide bearing or items requiring Agency Board action. However, day-to-day administration of these corporations and their assigned Project Areas and associated projects and programs is handled by their respective corporate staff, management team, and board per separate operating agreements by and between the Agency and the corporations.

The Redevelopment Agency's 17 redevelopment Project Areas and one Study Area encompass more than 10,233 acres.

Statement of Indebtedness

Under the Redevelopment Law, the Agency must file with the County Auditor a statement of indebtedness for each Project Area by October 1 of each year. As described below, the statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year.

Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (i) the total amount of principal and interest payable on all loans, advances or indebtedness (including the Bonds and other Agency debt the "Debt"), both over the life of the Debt and for the current fiscal year, and (ii) the amount of "available revenue" as of the end of the previous fiscal year.

"**Available Revenue**" is calculated by subtracting the total payments on Debt during the previous fiscal year from the total revenues (both tax increment revenues and other revenues) received during the previous fiscal year, plus any carry-forward from the prior fiscal year. Available Revenue includes amounts held by the Agency and irrevocably pledged to the payment of Debt other than amounts set aside for low- and moderate-income housing.

The County Auditor may only pay tax increment revenue to the Agency in any fiscal year to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness.

The statement of indebtedness constitutes prima facie evidence of the indebtedness of the Agency; however, the County Auditor may dispute the statement of indebtedness in certain cases. Section 33675 of the Redevelopment Law provides for certain time limits controlling any dispute of the state of indebtedness, and allows for Superior Court determination of such dispute if it cannot be resolved by the Agency and the County. Any such action may only challenge the amount of the Debt as shown on the statement, and not the validity of any debt or its related contract or expenditures. No challenge can be made to payments to a trustee in connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or bond issue.

The Agency's October 1, 2009 Statement of Indebtedness included outstanding obligations sufficient to collect all of the tax increment currently generated in the Redevelopment Project Areas for fiscal year 2009-10.

The Agency expects that its future Statements of Indebtedness will also include outstanding obligations sufficient to collect all of the tax increment generated in the Redevelopment Project Areas during the applicable fiscal year.

THE REDEVELOPMENT PROJECT AREAS

Redevelopment Projects

The 2010 Bonds are secured by housing tax-increment to be received from six distinct redevelopment projects of the Agency. The redevelopment projects are:

- City Heights
- Crossroads
- Naval Training Center
- North Bay
- North Park
- San Ysidro

City Heights. City Heights Redevelopment Project was formed in May 1992 and consists of 1,984 acres. The assessed value in fiscal year 2009-2010 is $2,171,479,315, with an incremental value over base year of $1,165,593,710. Total tax increment receipts in fiscal year 2008-2009 were $13,844,720.

Crossroads. Crossroads Redevelopment Project was formed in May 2003 and consists of 1,032 acres. The assessed value in fiscal year 2009-2010 is $870,191,482, with an incremental value over base year of $351,364,009. Total tax increment receipts in fiscal year 2008-2009 were $4,266,111.

Naval Training Center. Naval Training Center Redevelopment Project consists of 504 acres and was formed in March 1997. The assessed value in fiscal year 2009-2010 is $493,387,145, which is also the incremental value over base year. Total tax increment receipts for fiscal year 2008-2009 were $4,870,638.

North Bay. North Bay Redevelopment Project consists of 1,360 acres and was formed in May 1998. The assessed value in fiscal year 2009-2010 is $1,558,566,711, with an incremental value over base year of $877,859,019. Total tax increment receipts for fiscal year 2008-2009 were $8,811,501.

North Park. North Park Redevelopment Project consists of 555 acres and was formed in March 1997. The assessed value in fiscal year 2009-2010 is $1,139,484,797, with an assessed value over base year of $715,933,767. Total tax increment receipts for fiscal year 2008-2009 were $7,671,766.

San Ysidro. San Ysidro Redevelopment Project consists of 766 acres and was formed in April 1996. The assessed value in fiscal year 2009-2010 was $728,794,901, with an incremental assessed value over base year of $528,157,942. Total tax increment receipts for fiscal years 2008-2009 were $6,780,684.

For specific information about each Redevelopment Project Area and its redevelopment plan, see Table 2 and the following sections that describe each Redevelopment Project Area.

Redevelopment Plan Limitations

Under the Redevelopment Law, a city or county that activates its redevelopment agency is required to adopt, by ordinance, a redevelopment plan for each redevelopment project to be undertaken by the redevelopment agency. A redevelopment agency may only undertake those activities within a redevelopment project specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law, rather than a "plan" in the customary sense of the word.

AB 1290. In 1993, the California Legislature made significant changes in the Redevelopment Law by the adoption of AB 1290, Chapter 942, statutes of 1993 ("AB 1290"). Among the changes to the

Redevelopment Law accomplished by the enactment of AB 1290 was a provision which limits the period of time for incurring and repaying loans, advanced and indebtedness which are payable from tax increment revenues. AB 1290 further required that any redevelopment plan that either did not contain the appropriate limitation or that contained limitations longer than permitted by AB 1290 must be amended by the applicable legislative body.

SB 211. The California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 ("SB 211"). SB 211 provides, among other things, that the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body. For a complete discussion of SB 211, see "TAX ALLOCATION FINANCING AND LIMITATIONS ON RECEIPT OF TAX INCREMENT – SB 211."

SB 1045. The California Legislature enacted Senate Bill 1045, Chapter 260, Statutes 2003, effective September 1, 2003 ("SB 1045"). SB 1045 provides, among other things, that the Redevelopment Plans for the Redevelopment Project Areas may be amended to add one year to the effectiveness of the Redevelopment Plans and one year to the period for collection of tax increment revenues and the repayment of debt.

Pursuant to the authorization contained in SB 1045, on July 18, 2006 the City Council adopted the following ordinances with respect to each of their Redevelopment Project Areas, extending by one year the date of effectiveness of the Redevelopment Plans and the time allowed to pay indebtedness or receive property taxes. Table 2 takes into account the effect of these ordinances.

SB 1096. The Legislature adopted Senate Bill 1096, Chapter 211, Statutes of 2004, ("SB 1096"), authorizing extension of the effectiveness of redevelopment plans for an additional two years for those redevelopment plans with 20 years or less remaining. None of the six Redevelopment Plans have 20 years or less remaining.

Summary of Redevelopment Plan Limits. For specific information about each Redevelopment Project Area and applicable redevelopment plan limitations, see Table 2 and the following sections that describe each Redevelopment Project Area.

TABLE 2
REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
Summary of Redevelopment Project Areas

Project Area	Ord #	Date of Adoption	Last Date to Incur Debt	Termination of Plan Activities	Last Date to Receive Increment	Tax Increment Limit	Bonded Debt Limit
City Heights	17768	5/11/1992	5/11/2012	5/11/2032	5/11/2042	$713	$160
1st Amendment	18120	11/28/1994	-	-	-	-	-
2nd Amendment	18291	4/16/1996	-	-	-	-	-
3rd Amendment	18881	11/14/2000	-	-	-	-	-
4th Amendment	19510	7/18/2006	-	5/11/2033	5/11/2043	-	-
Crossroads	19174	5/6/2003	5/6/2023	5/6/2033	5/6/2048	-	$100
Naval Training Center	18405	5/13/1997	5/12/2024	5/13/2034	5/13/2049	$215	$ 56
1st Amendment	19513	7/18/2006	-	5/13/2035	5/13/2050	-	-
North Bay	18516	5/18/1998	5/18/2018	5/19/2028	5/18/2043	-	$ 93
1st Amendment	-	9/1/1998	-	-	-	-	-
2nd Amendment	19641	6/27/2007	-	5/19/2029	5/18/2044	-	-
North Park	18386	3/4/1997	3/4/2017	3/4/2027	3/4/2042	-	$ 53
1st Amendment	19515	7/18/2006	-	3/4/2028	3/4/2043	-	-
San Ysidro	18295	4/16/1996	4/16/2016	4/16/2026	4/16/2041	-	$ 75
1st Amendment	19516	7/18/2006	-	4/16/2027	4/16/2042		-

Provisions Relating to Cumulative Tax Increment Limits. To address the potential risk to the Agency's ability to pay debt service on the 2010 Bonds associated with the cumulative tax increment applicable to some of the applicable Redevelopment Project Areas, the Agency has covenanted in the Indenture to annually review the total amount of Tax Revenues remaining available to be received by the Agency under the cumulative tax increment limit in those Redevelopment Project Areas with such a limit.

Bonded Debt Limit. The Agency has allocated the principal amount of the 2010 Bonds to the various Redevelopment Projects for purposes of complying with the limitations on outstanding bonded indebtedness contained in the Redevelopment Plans. The Agency's allocation does not limit the pledge or the availability of Tax Revenues from one Redevelopment Project Area to pay debt service on the 2010 Bonds.

Redevelopment Project Area	Principal Amount of 2010 Bonds
City Heights	
Crossroads	
Naval Training Center	
North Bay	
North Park	
San Ysidro	

CDBG Related Agency Debt to the City. In 2008, the Office of Inspector General (OIG) of the U.S. Department of Housing and Urban Development (HUD) audited the City's Community Development Block Grant (CDBG) program and issued an audit report to HUD which recommended that the City initiate repayment plans for CDBG loans to the Agency. City and Agency staff worked with HUD representatives over the past year to develop a plan to address the OIG's findings and have agreed upon a 10 year schedule of repayment to the San Diego CDBG Program. A February 2010 report to the Redevelopment Agency Board and the City Council recommended that staff be directed to prepare a CDBG Loan Repayment Agreement between the Agency and the City for future Board and City Council consideration. It was also recommended that the terms of the proposed Repayment Agreement include provisions, among others: 1) that all repayments made by the Agency pursuant to the Repayment Agreement and all obligations and any indebtedness of the Agency to the City created by the Repayment Agreement shall be subordinate to any pledge of tax increment to bond holders of any tax allocation bonds which have been or may be issued by the Agency; and 2) that repayments by the Agency may be made using tax increment funds, land proceeds, or other revenues of the Agency. On June 21, 2010 the Agency Board and City Council approved the CDBG Loan Repayment Agreement with the recommended provisions.

The City Heights Redevelopment Project's share of CDBG related debt to the City as of June 30, 2009 is $4.57 million ($2.14 million principal and $2.43 million interest).

The Crossroads Redevelopment Project's share of CDBG related debt to the City as of June 30, 2009 is $846,605 ($578,294 principal and $268,311 interest).

The Naval Training Center Redevelopment Project's share of CDBG related debt to the City as of June 30, 2009 is $316,253 ($149,000 principal and $167,253 interest).

The North Bay Redevelopment Project's has no CDBG related debt to the City as of June 30, 2009.

The North Park Redevelopment Project's share of CDBG related debt to the City as of June 30, 2009 is $2.83 million ($1.54 million principal and $1.29 million interest).

The San Ysidro Redevelopment Project's share of CDBG related debt to the City as of June 30, 2009 is $1.70 million ($737,000 principal and $959,840 interest).

Non-CDBG Related Agency Debt to the City. The Agency also has $40 million in non-CDBG related debt to the City equal to approximately $20 million of principal and $20 million accrued interest as of June 30, 2009. This debt is subordinate to bonded debt of the Agency.

The City Heights Redevelopment Project's share of non-CDBG related debt is $6,916,535 ($6,424,040 principal and $4,924,915 interest).

The Crossroads Redevelopment Project's share of non-CDBG related debt is $340,248 ($215,000 principal and $125,248 interest).

The Naval Training Center Redevelopment Project's share of non-CDBG related debt is $2.15 million ($1,340,990 principal and $804,739 interest).

The North Bay Redevelopment Project's share of non-CDBG related debt is $2.41 million ($1,735,391 principal and $676,803 interest).

The North Park Redevelopment Project's share of non-CDBG related debt is $162,353 ($148,607 principal and $13,746 interest).

The San Ysidro Redevelopment Project's share of non-CDBG related debt is $5,909 ($2,446 principal and $3,463 interest).

Property Assessment Appeals in the Redevelopment Project Areas and Other Reductions to Value

When an appeal is filed in San Diego County, the County has two years from the date of filing to rule on appeal requests. If the County reduces the assessed value of any parcel, there can be no assurance that the reduction will be by the amount estimated by the Fiscal Consultant.

Appeals have routinely been filed by a number of major taxpayers in the Redevelopment Project Areas on a regular basis. Reductions of 20 to 35% of contested value have occurred from time to time, in part from appeals and in part, at least with major industrial uses, from the removal and/or depreciation of fixtures, equipment and personal property. More commonly, however, overall reductions reported by the County from all appeals filed in a given year have ranged from 5 to 20% of the total appeal value.

Valuation reductions resulting from the resolution of appeals are assumed by the Fiscal Consultant to occur in fiscal year 2009-10 and thereafter. The exceptions to this assumption are cases where the 2007-08 value assigned by the Assessor is already lower than the value being appealed, or where appeals are outstanding on the same property over a number of years: only one assessed value reduction can occur regardless of the number of years being appealed. The resolution of the outstanding appeals is assumed to result in a reduction equal to 20% of the total contested value in the City Heights Redevelopment Project, 20% of the total contested value in the Crossroads Project, 8% for residential and 40% non-residential property of total contested value of Naval Training Center Redevelopment Project, 10% of total contested value of North Bay Redevelopment Project, 14% of total contested value of North Park Redevelopment Project, and 8% of total contested value of San Ysidro Redevelopment Project. Refunds related to the resolution of these appeals have not been incorporated into the Fiscal Consultant's revenue projects because the County's practice for the allocation of those refunds holds redevelopment agencies harmless.

The State Board of Equalization has notified assessors that the California Consumer Price Index to be applied to the fiscal year 2010-11 assessment roll is 0.99736, representing a decrease of 0.237%.

The chart below summarizes the overall reduction in assessed values and its impact on incremental value.

	City Heights	Crossroads	Naval Training Center	North Bay	North Park	San Ysidro
2009-10 A.V. Reduction	-10%	-8%	9%	2%	-3%	-6%
2009-10 Incremental Value Reduction	-17%	-18%	9%	3%	-4%	-8%
Est. 2010-11 A.V. Reduction	-8%	-6%	-2%	-1%	-3%	-9%
Est. 2010-11 Incremental Value Reduction	-15%	-16%	-2%	-2%	-5%	-10%
Est. 2011-12 A.V. Reduction	-3%	-4%	-1%	-1%	-2%	-4%
Est. 2011-12 Incremental Value Reduction	-6%	-13%	-1%	-2%	-4%	-5%

Source: Fiscal Consultant's Report, Appendix A.

For a discussion of assessment appeals, see "BONDOWNER'S RISKS – Reduction to Assessed Values". For specific information about pending and settled appeals in the Redevelopment Project Areas, see

the sections entitled "Assessment Appeals" in the six sections describing the Redevelopment Project Areas and "APPENDIX A FISCAL CONSULTANT REPORT – Assessment Appeals".

Tax Rates

The fiscal year 2009-2010 tax rate within the Redevelopment Project Areas is 1.00930%, which is the result of a 1% general tax levy and a 0.00430% Metropolitan Water District tax levy and a City of San Diego Zoological Exhibit Levy of 1.0050%. The tax rate does not include taxes levied with respect to school districts or other jurisdictions which received voter approval for general obligation debt after 1988.

For purposes of projecting Tax Revenues, the Fiscal Consultant assumed a tax rate of 1.00%.

CERTAIN AGGREGATE DATA RELATING TO THE REDEVELOPMENT PROJECT AREAS

General

The City and the Agency have made findings that the Housing Projects financed with proceeds of the 2010 Bonds, although they may be located outside of the Redevelopment Project Areas, will benefit all six Redevelopment Project Areas; as a result, Tax Revenues includes Housing Set-Aside generated in each Redevelopment Project Area without consideration of in which Redevelopment Project Area the Housing Projects are actually built. All of the Tax Revenues received in any fiscal year from each of the six Redevelopment Project Areas will be deposited in the Special Fund of the Agency and used as set forth in the Indenture.

Land Use in the Redevelopment Project Areas

A summary of land use in the Redevelopment Project Areas on an aggregate basis is shown in the following table:

TABLE 3
AGGREGATE REDEVELOPMENT PROJECT AREAS
Land Use by Assessed Value
Fiscal Year 2009-10

Land Use	No of Parcels[1]	2009-10 Secured Assessed Value[2]	% of Total Assessed Value
Residential Property			
Vacant Residential	367	$ 32,264,829	0.48%
Single-Family Residential	5,694	1,108,213,738	16.60%
Multi-Family Residential	7,068	2,299,524,165	34.44%
Condominium	2,273	388,090,595	5.81%
Mobilehome	2	652,000	0.01%
Manufactured Home	1	180,929	0.00%
Miscellaneous	20	2,314,844	0.03%
Subtotal	15,425	$3,831,241,100	57.38%
Commercial Property			
Office Space	1,502	$1,080,168,683	16.18%
Retail	311	748,905,550	11.22%
Vacant Land	236	62,009,234	0.93%
Other Uses	419	569,299,538	8.53%
Subtotal	2,468	$2,460,383,005	36.85%
Industrial Property	384	325,102,491	4.87%
Farm/Rural Land	1	23,840	0.00%
Institutional Property	118	33,397,565	0.50%
Recreational Property	14	19,693,118	0.29%
Miscellaneous Use	29	7,453,230	0.11%
Total	18,439	$6,677,294,349	100.00%

Source: Fiscal Consultant's Report, Appendix A.

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.

(2) Based on final FY 2009-2010 Assessor's Roll.

Historic Taxable Values

The table below shows a six-year history in the Redevelopment Project Areas on an aggregate basis.

TABLE 4
AGGREGATE REDEVELOPMENT PROJECT AREAS
Historic Taxable Values

	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009	2009 2010
City Heights						
Incremental Value	$687,477,067	$933,370,642	$1,166,783,752	$1,341,254,458	$1,409,800,831	$1,165,593,710
Percentage Change in Incremental Value	43.10%	35.77%	25.01%	14.95%	5.11%	-17.32%
Crossroads						
Incremental Value	99,806,660	210,077,019	314,265,496	392,743,522	427,310,853	351,364,009
Percentage Change in Incremental Value	NA	110.48%	49.60%	24.97%	8.80%	-17.77%
Naval Training Center						
Incremental Value	196,893,179	338,060,935	388,276,829	385,194,706	452,973,530	493,387,145
Percentage Change in Incremental Value	95.24%	71.70%	14.85%	-0.79%	17.60%	8.92%
North Bay						
Incremental Value	339,944,920	418,984,525	587,618,343	773,466,820	852,384,535	877,859,019
Percentage Change in Incremental Value	18.99%	23.25%	40.25%	31.63%	10.20%	2.99%
North Park						
Incremental Value	288,218,469	408,468,058	532,591,557	708,420,158	745,178,791	715,933,767
Percentage Change in Incremental Value	35.17%	41.72%	30.39%	33.01%	5.19%	-3.92%
San Ysidro						
Incremental Value	175,324,288	256,712,035	351,789,259	380,702,897	576,001,384	528,157,942
Percentage Change in Incremental Value	20.33%	46.42%	37.04%	8.22%	51.30%	-8.31%
Grand Total						
Incremental Value	$1,787,664,583	$2,565,673,214	$3,341,325,236	$3,981,782,561	$4,463,649,924	$4,132,295,592
Percentage Change in Incremental Value	45.83%	43.52%	30.23%	19.17%	12.10%	-7.42%

Source: Fiscal Consultant's Report, Appendix A.

Largest Taxpayers

The following table summarizes the top ten taxpayers by assessed value based upon the fiscal year 2009-10 assessed value of the property owned in the aggregate of the redevelopment Project Areas.

TABLE 5
AGGREGATE REDEVELOPMENT PROJECT AREAS
Top Ten Taxpayers
Fiscal Year 2009-10

Owner	Project Area	Land Use	No. of Parcels[1]	Secured Total Net Assessed Value[2]	Percent of Secured Total Net Value	Percent of Incremental Value[2]
Chelsea San Diego Finance LLC[3][4]	San Ysidro	Retail	9	$288,868,848	4.33%	6.99%
Liberty Station HHG Hotel LP/City of San Diego Redevelopment Agency[5][6]	Naval Training Center	Hotel/Motel	2	68,725,793	1.03%	1.66%
Morena Vista LLC	North Bay	Store Building	1	59,469,794	0.89%	1.44%
Lakha Properties San Diego LLC	Crossroads	Retail/Vacant Commercial	11	43,496,529	0.65%	1.05%
MB Hotel Ventures LLC	North Bay	Hotel/Motel/Restaurant	7	36,840,993	0.55%	0.89%
FS San Ysidro LLC[7]	San Ysidro	Retail	5	34,834,740	0.52%	0.84%
HG Real Estate Partners LP	Crossroads	Multi-Family Residential	2	29,710,595	0.44%	0.72%
Newport Taft Inc/Mansour Brothers Inc.	North Bay	Hotel/Motel	1	23,691,467	0.35%	0.57%
Metropolitan Life Insurance Co	North Bay	Garage/Parking Lot/Used Car Lot	13	23,565,060	0.35%	0.57%
P S Ivanhoe LLC	North Bay	Store Building	1	21,828,000	0.33%	0.53%
Grand Total			**52**	**$631,031,819**	**9.45%**	**15.27%**

Source: Fiscal Consultant's Report, Appendix A.

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.

(2) Based on final FY 2009-2010 Assessor's Roll.

(3) Includes parcels that are leased to other entities based on the FY 2009-2010 Assessor's Roll.

(4) Chelsea San Diego Finance LLC contested the value of two parcels in FY 2008-2009 which resulted in a reduction in value of $12,205,000 after the FY 2009-2010 Assessor's Roll was finalized. In addition, Chelsea San Diego Finance LLC filed an additional appeal to further reduce the value of one of the two parcels mentioned above. DTA has assumed the appeal is resolved in favor of the applicant with a reduction of $12,703,488, which equals 92% of the contested value.

(5) Based on ownership information in the FY 2009-2010 Assessor's Roll, parcels are leased from the City of San Diego Redevelopment Agency.

(6) Liberty Station HHG Hotel LP contests that the value of one of its two parcels should be reduced from the original value of $40,258,287 to $18,000,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 92% of the contested value.

(7) FS San Ysidro LLC contests that the value of its 5 parcels should be reduced by $4,324,822. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 92% of the contested value.

Historic Collections

The City and Agency do not participate in a Teeter program with the County of San Diego. Accordingly, tax receipts may vary from fiscal year to fiscal year. The following table shows historic tax receipts to levy for each Redevelopment Project and the aggregate of the Redevelopment Projects for the last six fiscal years. Tax receipts for fiscal year 2009/2010 are not yet available.

TABLE 6
AGGREGATE REDEVELOPMENT PROJECT AREAS
Historic Receipts to Levy

	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
City Heights						
Total Computed Levy	$ 4,955,322	$ 6,881,617	$ 9,348,291	$11,689,222	$13,470,397	$14,129,880
Total Receipts	5,999,105	8,876,669	11,256,888	12,671,073	14,228,186	13,844,720
Surplus (Shortfall)	1,043,783	1,995,052	1,908,598	981,851	757,789	(285,160)
% Difference of Computed Levy	121.06%	128.99%	120.42%	108.40%	105.63%	97.98%
Crossroads						
Total Computed Levy	NA	998,623	2,104,445	3,148,209	3,943,872	4,281,791
Total Receipts	NA	1,207,959	2,828,739	3,769,976	4,255,951	4,266,111
Surplus (Shortfall)	NA	209,335	724,294	621,766	312,079	(15,680)
% Difference of Computed Levy	NA	120.96%	134.42%	119.75%	107.91%	99.63%
Naval Training Center						
Total Computed Levy	1,111,245	1,971,435	3,385,926	3,889,727	3,870,265	4,540,455
Total Receipts	1,465,190	2,698,119	3,886,310	4,100,768	3,983,863	4,870,638
Surplus (Shortfall)	353,945	726,684	500,384	211,041	113,598	330,183
% Difference of Computed Levy	131.85%	136.86%	114.78%	105.43%	102.94%	107.27%
North Bay						
Total Computed Levy	2,867,213	3,411,072	4,199,097	5,938,287	7,768,280	8,542,400
Total Receipts	3,218,779	3,857,335	4,613,034	7,222,032	8,195,361	8,811,501
Surplus (Shortfall)	351,566	446,262	413,937	1,283,745	427,081	269,100
% Difference of Computed Levy	112.26%	113.08%	109.86%	121.62%	105.50%	103.15%
North Park						
Total Computed Levy	2,144,341	3,196,538	4,510,370	5,336,773	7,113,932	7,467,705
Total Receipts	2,610,446	3,711,294	4,889,797	5,860,397	7,930,701	7,671,766
Surplus (Shortfall)	466,106	514,756	379,427	523,624	816,769	204,061
% Difference of Computed Levy	121.74%	116.10%	108.41%	109.81%	111.48%	102.73%
San Ysidro						
Total Computed Levy	1,549,870	1,756,234	2,572,005	3,524,734	3,824,847	5,770,286
Total Receipts	1,747,607	2,032,658	3,256,436	3,823,632	3,920,010	6,780,684
Surplus (Shortfall)	197,737	276,423	684,431	298,898	95,162	1,010,398
% Difference of Computed Levy	112.76%	115.74%	126.61%	108.48%	102.49%	117.51%
Grand Total						
Total Computed Levy	$12,627,990	$18,215,520	$26,120,134	$33,526,954	$39,991,593	$44,732,517
Total Receipts	$15,041,127	$22,384,033	$30,731,205	$37,447,878	$42,514,071	$46,245,419
Surplus (Shortfall)	$ 2,413,137	$ 4,168,513	$ 4,611,071	$ 3,920,925	$ 2,522,478	$ 1,512,903
% Difference of Computed Levy	119.11%	122.88%	117.65%	111.69%	106.31%	103.38%

Source: Fiscal Consultant's Report, Appendix A.

AGGREGATE PROJECTED TAX REVENUES AND ESTIMATED DEBT SERVICE COVERAGE

Projected Tax Revenues and Estimated Debt Service Coverage

The following table details projected debt service coverage on the 2010 Bonds using the projected Tax Revenues set forth in the Redevelopment Project-specific sections of this Official Statement.

TABLE 7
REDEVELOPMENT PROJECT AREAS IN THE AGGREGATE
Projected Tax Revenues and Estimated Debt Service Coverage

	Housing Tax Increment Revenue[1]										
Fiscal Year Ending	City Heights	Crossroads	NTC	North Bay	North Park	San Ysidro	Housing Tax Increment Grand Total	Senior Obligations	Housing Tax Increment Less Senior Obligations	2010 Bonds	Coverage
2009-10	$2,192,259	$627,882	$917,265	$1,690,778	$1,365,238	$992,385	$7,794,071				
2010-11	1,871,621	525,786	891,287	1,646,635	1,285,642	883,124	7,112,038				
2011-12	1,756,791	465,423	882,690	1,618,324	1,243,744	834,424	6,800,991				
2012-13	1,755,118	465,423	882,690	1,618,324	1,243,744	834,424	6,799,319				
2013-14	1,792,230	479,910	891,201	1,646,352	1,264,275	846,112	6,919,671				
2014-15	1,829,713	494,542	899,797	1,674,660	1,285,010	857,917	7,041,226				
2015-16	1,867,571	509,321	908,479	1,703,251	1,305,953	869,840	7,163,997				
2016-17	1,905,807	524,247	917,248	1,732,128	1,327,105	881,882	7,287,995				
2017-18	1,944,425	539,322	926,104	1,761,294	1,348,468	894,045	7,413,233				
2018-19	1,983,430	554,549	935,049	1,790,751	1,370,046	906,329	7,539,724				
2019-20	2,062,220	585,306	953,118	1,850,255	1,413,632	931,144	7,795,236				
2020-21	2,142,585	616,678	971,548	1,910,949	1,458,089	956,455	8,055,857				
2021-22	2,224,558	648,677	990,347	1,972,857	1,503,436	982,272	8,321,691				
2022-23	2,308,171	681,317	1,009,521	2,036,003	1,549,690	1,008,605	8,592,842				
2023-24	2,393,455	714,609	1,029,080	2,100,412	1,596,869	1,035,465	8,869,416				
2024-25	2,480,445	748,567	1,049,029	2,166,110	1,644,992	1,062,862	9,151,521				
2025-26	2,569,175	783,204	1,069,378	2,233,121	1,694,077	1,090,807	9,439,269				
2026-27	2,659,680	818,534	1,090,133	2,301,472	1,744,143	1,119,311	9,732,771				
2027-28	2,751,995	854,571	1,111,303	2,371,191	1,795,211	1,148,385	10,032,143				
2028-29	2,846,156	891,329	1,132,897	2,442,304	1,847,301	1,178,041	10,337,503				
2029-30	2,942,200	928,821	1,154,923	2,514,839	1,900,432	1,208,289	10,648,970				
2030-31	3,040,165	967,063	1,177,389	2,588,824	1,954,626	1,239,143	10,966,666				
2031-32	3,140,090	1,006,071	1,200,305	2,664,290	2,009,903	1,270,614	11,290,717				
2032-33	3,242,012	1,045,858	1,223,679	2,741,265	2,066,287	1,302,714	11,621,248				
2033-34	3,285,356	1,086,441	1,247,520	2,819,779	2,123,798	1,335,456	11,897,772				
2034-35	3,390,184	1,127,836	1,271,838	2,899,864	2,182,459	1,368,853	12,240,445				
2035-36	3,497,109	1,170,059	1,296,643	2,981,550	2,242,293	1,402,918	12,589,971				
2036-37	3,606,173	1,213,126	1,321,944	3,064,870	2,303,324	1,437,664	12,946,487				
2037-38	3,717,417	1,257,054	1,347,750	3,149,856	2,365,576	1,473,105	13,310,134				
2038-39	3,830,887	1,301,861	1,374,073	3,236,543	2,429,072	1,509,255	13,681,053				
2039-40	3,946,625	1,347,565	1,400,923	3,324,962	2,493,839	1,546,128	14,059,391				

Source: Fiscal Consultant's Report, Appendix A.

(1) Difference assumptions regarding annual changes to assessed value have been made based on project area specific factors. For additional detail regarding the tax increment projections, please see Appendix A "Fiscal Consultant Report - Section II.H.," hereto.

THE CITY HEIGHTS REDEVELOPMENT PROJECT

General

The City Heights Redevelopment Project includes portions of the City Heights, Normal Heights, Kensington, and Talmadge Planning Areas – encompassing a total of 1,984 acres. The City Heights Redevelopment Project focuses on promoting new construction, revitalization, and upgrading of residential commercial, office and public properties and facilities. The centerpiece of the City Heights Redevelopment Project is the City Heights Urban Village, a public/private partnership effort that encompasses nine city blocks. Other focus areas include the Interstate 15 Corridor and the University Avenue and El Cajon Boulevard commercial corridors. The City Heights Redevelopment Project is bounded by Home and Euclid Avenues and 54th Street to the east, Meade and Monroe avenues to the north, Home Avenue to the south, and Interstate 805 to the west. Land uses in the City Heights Redevelopment Project include residential, commercial, industrial, institutional facilities, open space/park, vacant and public right of way.

The Redevelopment Plan was adopted in 1992 and amended four times since its original adoption. The following table shows the history of the Redevelopment Plan adoption and the subsequent amendments to the Redevelopment Plan.

TABLE 8
CITY HEIGHTS REDEVELOPMENT PLAN
REDEVELOPMENT PLAN HISTORY

Action	Ordinance No.	Date	Purpose
Original Adoption	0-17768	May 11, 1992	Establish City Heights Redevelopment Project and adopt Plan
Amendment 1	0-18120	November 28, 1994	Amended the time limits for effectiveness of the Redevelopment and the last date on which to receive tax increment
Amendment 2	0-18291	April 16, 1996	Deleted territory from the City Heights Redevelopment Project, removed eminent domain restrictions on specified properties, changed the land use categories of certain parcels and increased the limitation on bonded indebtedness
Amendment 3	0-18881	November 14, 2000	Redefined land uses within the City Heights Redevelopment Project Area and removed eminent domain restrictions on specified properties
Amendment 4	0-19510	July 18, 2006	Extended the effectiveness of the Redevelopment Plan and the last date to receive tax increment revenues by one year

At this time, the Agency does not have any amendments in process.

Provisions of the Redevelopment Law and the Redevelopment Plan establish various time limits for undertaking redevelopment activities and for repaying debt incurred to finance redevelopment projects. These time limits for the City Heights Redevelopment Project are set forth in the table below:

CITY HEIGHTS REDEVELOPMENT PROJECT
REDEVELOPMENT PLAN LIMITATIONS

Plan Life	May 11, 2033
Last Date to Incur Debt	May 11, 2012
Last Date to Repay Debt	May 11, 2043
Last Date to Receive Tax Increment	May 11, 2043
Limit on Outstanding Bonded Indebtedness	$160,000,000
Limit on Receipt of Tax Increment	$713,000,000
Limitation on Use of Eminent Domain	November 27, 2012

The Agency currently may not receive, and may not repay indebtedness with the proceeds from property taxes received pursuant to Section 33670 of the Redevelopment Law and the Redevelopment Plan, beyond the respective dates for the City Heights Redevelopment Project indicated in the table above, except to repay debt to be paid from the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Redevelopment Law and the Redevelopment Plan, or debt established in order to fulfill the Agency's obligations under Section 33413 of the Redevelopment Law and the Redevelopment Plan, or certain refunding debt. Immediately following the issuance of the 2010 Bonds, the Agency will have $_____ of bonded indebtedness outstanding for the City Heights Redevelopment Project.

Senior Lien on Tax Revenues

The Agency currently has certain outstanding bonds that have a lien on Tax Revenues senior to the lien securing the Bonds, which are referenced in the definition of Tax Revenues above. Outstanding senior lien debt includes the Agency's City Heights Redevelopment Project 2003 Housing Set-Aside Tax Allocation Bonds, Series 2003 A (Taxable), issued on December 17, 2003 in the initial principal amount of $4,955,000 of which $4,955,000 remain outstanding and the Agency's City Heights Redevelopment Project 2003 Housing Set-Aside Tax Allocation Bonds, Series 2003 B (Tax-Exempt), issued on December 17, 2003 in the initial principal amount of $865,000, of which $335,000 are outstanding (together the "City Heights 2003 Senior Bonds") Under the Indenture, the Agency has covenanted not to issue any additional senior lien debt with a pledge of housing set-aside tax increment from the City Heights Redevelopment Project to the pledge of Tax Revenues under the Indenture. The Agency used 100% of the proceeds of the City Heights Senior Bonds for housing purposes.

Other Outstanding Obligations of the City Heights Redevelopment Project

The Agency has other bonds and obligations outstanding which are payable from tax increment not related to housing. Such bonds include the Agency's City Heights Redevelopment Project Tax Allocation Bonds, Series 1999A, dated April 1, 1999 in the initial principal amount of $5,690,000, of which $4,915,000 are outstanding (the "1999 A Bonds"), and City Heights Redevelopment Project Tax Allocation Bonds, Series 1999 B, dated April 1, 1999 in the initial principal amount of $10,141,000, of which $8,593,691 in initial value remains outstanding (the "1999 B Bonds" and together with the 1999 A Bonds, the "1999 Bonds"). The current accreted value of the 1999 B Bonds is $16,988,336. The Agency expects to issue two series of parity bonds to the 1999 Bonds on a taxable and tax-exempt basis near the time of the issuance of the Bonds.

On July 26, 2007, and as amended in July, 2010, the Agency entered into two Credit Agreements with San Diego National Bank, which provided for: 1) a $20,000,000 line of credit to the Agency, with repayment secured by a pledge by the Agency of non-housing tax increment revenues from the City Heights Redevelopment Project; and 2) an $11,000,000 line of credit to the Agency, with repayment secured by a pledge by the Agency of housing tax increment revenues from the City Heights Redevelopment Project. The lines of credit each had a term of three-years, and required quarterly interest payments beginning October 5, 2007. The Agency has drawn $2,011,123 from the non-housing line of credit, and has used the funds to pay for costs related to the acquisition of a commercial building located at 4102-4122 University Avenue. The Agency has drawn $4,153,000 from the housing line of credit and has used the funds to assist with the costs of acquisition and rehabilitation of the Village Green affordable apartment project in the Crossroads Redevelopment Project and the Verbena affordable housing project in the San Ysidro Redevelopment Project. The Agency anticipates

that the lines of credit will be paid in full with concurrent 2010 Tax Allocation Bond issues, payable solely from non-housing tax increment with respect to the $20,000,000 line of credit, and from housing tax increment with respect to the $11,000,000 line of credit.

On May 16, 2000, the Agency entered into a Disposition and Development Agreement (the "DDA") with San Diego Revitalization Corporation (the "Developer") for the development of approximately 3.24 acres of land (the "Site") in the City Heights Redevelopment Project. Pursuant to the DDA, the Agency has a loan obligation of $1,606,715 currently outstanding as evidenced by a Promissory Note dated April 1, 2001, assigned to the Agency pursuant to an Assignment of Promissory Note dated March 23, 2002, and amended pursuant to an amendment of Promissory Note, dated July 10, 2003, for the City Heights Urban Village Town Homes and Office Project. The outstanding principal, as of December 18, 2009, on this promissory note is $1,607,202. The Agency will use a portion of the proceeds of the Housing Bonds to fully pay the Developer the Note when due under the requirements of the DDA.

On May 3, 2005, the Agency entered into a Disposition and Development Agreement (the "DDA") with City Heights Realty, LLC, as successor in interest to San Diego Revitalization Corporation (the "Developer") for the development of approximately 1.40 acres of land (the "Site") in the City Heights Redevelopment Project. Pursuant to the DDA, the Agency has a loan obligation of $2,280,000 as evidenced by a Promissory Note dated May 10, 2005.for the City Heights Square Project. The amount which remains outstanding is $1,694,411. The Agency will use a portion of the proceeds of the 2010 Bonds to fully pay the Developer the Note when due under the requirements of the DDA. See "FINANCING PLAN," herein.

The Agency also has loans and debt to the City which is related to both CDBG and non-CDBG money. See "THE REDEVELOPMENT PROJECT AREAS – CDBG Related Agency Debt to the City," and "- Non-CDBG Related Agency Debt to the City," herein.

Land Use in the City Heights Redevelopment Project

The largest use of land in the City Heights Redevelopment Project in terms of assessed value is residential. The table below shows the land use in the City Heights Redevelopment Project, based on fiscal year 2009-2010 assessed valuation.

TABLE 9
CITY HEIGHTS REDEVELOPMENT PROJECT
Assessed Value by Land Use
Fiscal Year 2009-10

Land Use[1]	No. of Parcels[1]	Secured Total Net Assessed Value[2]	% of Total Net Assessed Value
Residential Property			
Vacant Residential	176	$ 8,698,997	0.41%
Single-Family Residential	3,582	542,231,690	25.58%
Multi-Family Residential	4,669	1,206,234,366	56.92%
Miscellaneous	6	605,639	0.03%
Subtotal	8,433	$1,757,770,692	82.94%
Commercial Property			
Office Space	399	167,814,006	7.92%
Retail	90	111,171,252	5.25%
Vacant Land	72	11,956,766	0.56%
Other Uses	100	46,308,870	2.19%
Subtotal	661	$337,250,894	15.91%
Industrial Property	57	16,323,025	0.77%
Institutional Property	44	5,276,238	0.25%
Recreational Property	3	1,669,842	0.08%
Miscellaneous Use	2	1,054,089	0.05%
Total	**9,200**	**$2,119,344,780**	**100.00%**

Source: Fiscal Consultant's Report, Appendix A.

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.

(2) Based on final FY 2009-2010 Assessor's Roll.

Historic Assessed Valuation

The table below shows a six year history of assessed valuation in the City Heights Redevelopment Project. The base year assessed valuation for the City Heights Redevelopment Project is $1,005,885,605.

TABLE 10
CITY HEIGHTS REDEVELOPMENT PROJECT
Historic Assessed Valuation

	FY 2004-2005 Taxable Value	FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	FY 2008-2009 Taxable Value	FY 2009-2010 Taxable Value
Secured Values[1]						
Land	$ 808,186,825	$ 954,331,852	$1,098,624,619	$1,237,439,530	$1,277,126,102	$1,126,605,838
Improvement	935,496,965	1,034,147,857	1,135,797,730	1,181,724,885	1,225,944,644	1,155,644,029
Personal Property	967,570	898,966	779,701	787,089	895,436	244,746
Gross Value	$1,744,651,360	$1,989,378,675	$2,235,202,050	$2,419,951,504	$2,503,966,182	$2,282,494,613
Less Exemptions	(72,662,714)	(78,152,984)	(90,345,158)	(101,794,576)	(117,477,669)	(139,471,633)
Total Secured	$1,671,988,646	$1,911,225,691	$2,144,856,892	$2,318,156,928	$2,386,488,513	$2,143,022,980
Unsecured Values[2]						
Land	0	0	0	0	0	0
Improvement	$ 8,203,384	$ 12,627,198	$ 13,159,493	$ 11,458,780	$ 14,437,005	$ 13,917,524
Personal Property	18,107,114	18,957,365	19,416,317	21,017,336	20,775,942	20,065,147
Gross Value	$ 26,310,498	$ 31,584,563	$ 32,575,810	$ 32,476,116	$ 35,212,947	$ 33,982,671
Less Exemptions	(1,016,459)	(3,554,007)	(4,763,345)	(3,492,981)	(6,015,024)	(5,526,336)
Total Unsecured	$ 25,294,039	$ 28,030,556	$ 27,812,465	$ 28,983,135	$ 29,197,923	$ 28,456,335
Total Secured and Unsecured	$1,697,282,685	$1,939,256,247	$2,172,669,357	$2,347,140,063	$2,415,686,436	$2,171,479,315
Percentage Change in Total Value		14.26%	12.04%	8.03%	2.92%	-10.11%
Incremental Value	$ 687,477,067	$ 933,370,642	$1,166,783,752	$1,341,254,458	$1,409,800,831	$1,165,593,710
Percentage Change in Incremental Value	43.10%	35.77%	25.01%	14.95%	5.11%	-17.32%

Source: Fiscal Consultant's Report, Appendix A.
(1) Assessed values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
(2) Based on information provided by the County of San Diego Auditor/Controller.

Largest Taxpayers in City Heights Redevelopment Project

The following table shows the ten largest taxpayers in the City Heights Redevelopment Project by assessed valuation based on the 2009-2010 tax roll.

TABLE 11
CITY HEIGHTS REDEVELOPMENT PROJECT
Top Ten Taxpayers
Fiscal Year 2009-10

Owner	Land Use	No. of Parcels[1]	Secured Total Net Assessed Value[2]	Percent of Secured Total Net Value	Percent of Incremental Value[2]
BR Workforce LLC	Office/Store Buildings/Garage/Lot	2	$18,212,376	0.86%	1.56%
Urban Village Residential LLC	Multi-Family Residential	1	18,067,269	0.85%	1.55%
American Stores Co LLC[3]	Grocery/Drug Store – Large Chain	1	15,352,846	0.72%	1.32%
San Diego Ridge LLC[4]	Multi-Family Residential	1	12,886,354	0.61%	1.11%
City Heights Retail Village[5]	Community Shopping Center	1	10,438,474	0.49%	0.90%
Pearson Ford Properties[6]	Multi-Family Residential/Auto Sales/Service Agency/Auto Garage	10	10,175,938	0.48%	0.87%
Prickett Family Trust 11-9-95	Multi-Family Residential	19	9,439,396	0.45%	0.81%
Blue Corner Capital LLC[7]	Multi-Family Residential	3	7,639,633	0.36%	0.66%
San Diego Revitalization Corp.	Office Buildings – Single-Family Residential	1	7,626,845	0.36%	0.65%
RTC-1 LLC	Auto Sales/Service Agency	1	7,353,000	0.35%	0.63%
Grand Total	**N/A**	**40**	**$117,192,131**	**5.53%**	**10.05%**

Source: Fiscal Consultant's Report, Appendix A.

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.

(2) Based on final FY 2009-2010 Assessor's Roll.

(3) As shown in the Appeals section, American Stores Co LLC contests that the value of its parcel should be reduced to $11,514,000. The appeal was filed under the name Supervalu - Albertsons and has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

(4) As shown in the Appeals section, San Diego Ridge LLC contested that the value of its parcel should be reduced to $8,376,130. The appeal was resolved with the County reducing the value of the parcel to $9,500,000 after the FY 2009-10 Assessor's Roll was finalized on 1/1/2009. The reduced value is not shown above, but has been reflected in the tax increment

(5) As shown in the Appeals section, City Heights Retail Village contests that the value of its parcel should be reduced to $7,830,000. The appeal was filed under the name Supervalu - Albertsons and has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

(6) As shown in the Appeals section, Pearson Ford Properties contests that the value of one of its ten parcels should be reduced from the original value of $552,037 to $220,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

(7) As shown in the Appeals section, Blue Corner Capital LLC contested that the value of its three parcels should be reduced to $4,250,000. The appeal was resolved with the County with no reduction in value.

Recent Activity in the City Heights Redevelopment Project

Euclid Tower - The Euclid Tower is one of the most visible structures within the community of City Heights. The ornamental Tower stands 80 feet tall and sits atop a two-story commercial structure that was originally built in 1932 as a drive-in soda fountain. In 1999, the Tower section began leaning dangerously and was taken down for safety reasons. Restoration of the Tower was of particular importance to the community, which believed it would positively affect the neighborhood character. Community members recommended restoring the Tower with the colorful public art façade to represent the culturally rich and diverse community of City Heights. Stanford Sign & Awning completed the Tower in 2009 based on the design by Richard Bundy of ARCHITECTS Richard Bundy & David Thompson.

Talmadge Senior Village - Talmadge Senior Village, an attractive three-story mixed-use facility, opened in October 2006. Located in the City Heights Redevelopment Project Area, the $18.6 million Talmadge Senior Village project provides critically needed affordable housing opportunities to San Diego's senior citizens as well as commercial and community recreation uses. Talmadge Senior Village replaces an older motel at 5252 El Cajon Boulevard and offers housing at rents affordable to very low income senior citizens. The development is in close proximity to vital senior services, such as public transportation, grocery markets, park, medical centers, and pharmacies.

Auburn Park Apartments - Auburn Park Family Apartments, a $20.4 million redevelopment project, creates additional affordable housing for San Diegans and enhances the continued revitalization of City Heights. Located on the southwest corner of University Avenue and 52nd Street, the 69-unit housing development is designed for very low- and low-income families earning from 30 to 60 percent of the area median income. The development offers 10 studios, 26 one-bedroom, 12 two-bedroom, and 21 three-bedroom units for individuals and families that fall within the income guidelines. Two units serve as onsite management and maintenance staff units. The project also provides a public park and enhanced open space area in the immediately adjacent Auburn Creek. Construction was completed in December 2007.

City Heights Square Project - The City Heights Square master-planned redevelopment project is comprised of four distinct but complementary components and is a result of a collaboration between the City of San Diego, the Redevelopment Agency, private developers, and local non-profit corporations. The development includes the City Heights Senior Housing Project (completed in August 2007), the La Maestra Community Health Center (to be completed in July 2010), the City Heights Square Residential and Retail (under construction to be completed in December 2011) and the City Pocket Park (design phase underway). Upon completion, this master planned redevelopment project will provide a variety of community servicing amenities, including commercial and retail space; affordable and market rate housing for seniors, individuals and families; a medical clinic; and a 5,348-square-foot pocket park. Combined, the developments represent an investment of more than $70 million in the City Heights community.

State Route 15 Improvements - Until 1998, State Route 15 terminated in City Heights, routing heavy traffic onto the local streets of the community. To address this issue, the State of California worked extensively with the City of San Diego, local schools, Metropolitan Transit Service, and local community organizations to design and install a depressed freeway through the Mid-City neighborhoods. This $150 million project included the construction of a 2.2-mile freeway extension between Interstate 805 and Adams Avenue, three new public parks, including the four-acre Teralta Park, which sits on a lid over the submerged freeway, as well as extensive architectural enhancements and community amenities. Four enhanced bridge decks were completed. The new enhancements included retail and restroom buildings, decorative bus shelters, trellises, landscaping, sound attenuation walls, and public art.

Metro Center and Metro Villas - The City Heights Metro Center Project transformed a once blighted property into a dynamic, mixed-use development that provides multiple benefits for the surrounding neighborhood and the entire San Diego region. The $47 million project is located at the northwest corner of University Avenue and State Route 15. The project includes both office and housing components, the Metro Career Center and Metro Villas, respectively. The attractive four-story office building and 120 new affordable family housing units feature ample structured parking and landscaped open space areas. The primary tenants in

the office building are the San Diego Workforce Partnership, which provides comprehensive job training and placement services for San Diego County and a charter school.

Regional Transportation Center - The Regional Transportation Center (RTC) is an innovative mixed-use project designed to introduce San Diego residents to the benefits of alternative fuel vehicles (AFVs). The RTC signature architectural design transformed a formally blighted commercial corner of the City Heights community into an impressive commercial and public service development. This $12.5 million facility was built to include an education center, conventional and alternative fuel vehicle display, repair center, and fueling station—combining non-profit educational and for-profit commercial components. The project houses several other commercial and office uses in its upstairs leased space.

City Heights Urban Village - The eight-block City Heights Urban Village is an award-winning master-planned redevelopment project in which multiple public and private uses coexist in a communal village setting. Through the restoration of the City Heights commercial core and the establishment of this pedestrian-friendly town square, the multi-phased Urban Village was completed in 2003 and is fundamentally changing the social and physical environment of this diverse community. The individual components within the Urban Village include: Mid-City Police Substation, Mid-City Community Gymnasium, Rosa Parks Elementary School, Weingart City Heights Library, City Heights Recreation Center, Mid-City Continuing Education Center, City Heights Retail Center, Village Townhomes and Office Center, Performing Arts Center, Head Start Center, and a community swimming pool. The development of the Urban Village represents a public and private investment of over $137 million.

Appeals in the City Heights Redevelopment Project

There are currently 202 appeals for fiscal year 2009-2010 on record with the County for parcels in the City Heights Redevelopment Project and 74 pending appeals for fiscal year 2008-2009, which, along with resolved appeals not yet reflected in the assessment rolls, the fiscal consultant estimates could decrease the City Heights Redevelopment Project value by approximately $69.6 million or 3.2% of project area assessed valuation. Based on historic success rates, the Fiscal Consultant has estimated that the resolution of outstanding appeals will result in 20% reduction of the contested value on these parcels, on average, for the City Heights Redevelopment Project.

For specific information regarding pending and settled appeals in the City Heights Redevelopment Project, see "APPENDIX A – Consolidated Fiscal Consultant Report - Section II.H."

Historic Collections in Redevelopment Project

The following table shows historic tax receipts compared to the actual levy for the last six fiscal years:

TABLE 12
CITY HEIGHTS REDEVELOPMENT PROJECT
Historic Receipts to Levy [1]

Fiscal Year Ending:	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
I. Reported Assessed Value						
Total Project Value[1]	$1,503,857,495	$1,697,282,685	$1,939,256,247	$2,172,669,357	$2,347,140,063	$2,415,686,436
Less Base Value[2]	1,009,805,618	1,009,805,618	1,005,885,605	1,005,885,605	1,005,885,605	1,005,885,605
Incremental Value	494,051,877	687,477,067	933,370,642	1,166,783,752	1,341,254,458	1,409,800,831
Tax Rate	1.01177%	1.01080%	1.01020%	1.00970%	1.00950%	1.00930%
II. Gross Tax Increment	$ 4,998,669	$ 6,949,018	$ 9,428,910	$ 11,781,016	$ 13,539,964	$ 14,229,120
Unitary Revenue	1,623	1,643	1,653	4,198	30,728	31,630
County Administrative Expenses	(44,970)	(69,044)	(82,273)	(95,992)	(100,295)	(130,870)
Total Computed Levy	$ 4,955,322	$ 6,881,617	$ 9,348,291	$ 11,689,222	$ 13,470,397	$ 14,129,880
III. Total Receipts	$ 5,999,105	$ 8,876,669	$ 11,256,888	$ 12,671,073	$ 14,228,186	$ 13,844,720
Surplus (Shortfall)	1,043,783	1,995,052	1,908,598	981,851	757,789	(285,160)
% Difference of Computed Levy	121.06%	128.99%	120.42%	108.40%	105.63%	97.98%

Source: Fiscal Consultant's Report, Appendix A.

(1) Based on total secured and unsecured value for the Project provided by the San Diego County Auditor/Controller as of 1/1/ of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).

(2) Base value was adjusted downward by $13.6 million in FY 2004-2005 and by $3.9 million in FY 2005-2006.

In addition to appeals to assessed value, taxpayer delinquencies can reduce tax receipts in each fiscal year. As of May 10, 2010, 569 parcels (6.19% of the total parcels) in the City Heights Redevelopment Project had a delinquency rate of 4.48% in the payment of secured fiscal year 2009-2010 property taxes to the County Tax Collector. The fiscal consultant researched the zip code 92105, which fully encompasses the Redevelopment Project, but included areas outside of the City Heights Redevelopment Project. As of May 10, 2010, 514 residential properties had Notices of Default recorded with the County, 700 residential properties were undergoing a trustee's sale, and 884 residential properties were bank owned. This zip code encompasses over 22,000 residential units and the City Heights Redevelopment Project encompasses 19,585 residential units.

Projection of Tax Revenues

The following table details projected tax revenues in the City Heights Redevelopment Project. The projections begin with the 2009-2010 fiscal year and contain the following assumptions:

1. For purposes of the projection, 2009-2010 is reduced to reflect actual and expected successful appeals in the City Heights Redevelopment Project.

2. Fiscal years 2010-2011 through 2011-2012 assume decreases in value of 8% and 3%, respectively, due to estimated Proposition 8 adjustments and estimated appeals. Fiscal year 2012-13 assumes a major tax payer "Fairmount 26" becomes tax-exempt as an affordable housing project.

3. There is no change in Assessed Value for fiscal year 2012-2013 and annual increase of 1% in each year thereafter through fiscal year 2018-2019, and an annual increase of 2% thereafter.

4. The actual tax rate of 1.00% is used for fiscal year 2009-2010 and a 1% tax rate is used for each year thereafter.

5. The projections of Tax Revenues do not exclude debt service on the City Heights Senior Bonds.

TABLE 13
CITY HEIGHTS REDEVELOPMENT PROJECT
Projection of Tax Revenues

Fiscal Year Ending	Total Value	Net Tax Increment Revenue	Low/Moderate Income Housing Set-Aside Revenue
2009-10	$2,099,719,471	$10,630,093	$2,126,019
2010-11	1,925,861,900	9,082,112	1,816,422
2011-12	1,868,529,550	8,525,160	1,705,032
2012-13	1,867,684,925	8,517,051	1,703,410
2013-14	1,886,213,938	8,961,150	1,792,230
2014-15	1,904,928,242	9,148,564	1,829,713
2015-16	1,923,829,689	9,337,853	1,867,571
2016-17	1,942,920,150	9,529,034	1,905,807
2017-18	1,962,201,516	9,722,127	1,944,425
2018-19	1,981,675,696	9,917,151	1,983,430
2019-20	2,021,013,539	10,311,100	2,062,220
2020-21	2,061,138,138	10,712,927	2,142,585
2021-22	2,102,065,230	11,122,792	2,224,558
2022-23	2,143,810,864	11,540,853	2,308,171
2023-24	2,186,391,410	11,967,276	2,393,455
2024-25	2,229,823,567	12,402,227	2,480,445
2025-26	2,274,124,367	12,845,877	2,569,175
2026-27	2,319,311,183	13,298,400	2,659,680
2027-28	2,365,401,736	13,759,974	2,751,995
2028-29	2,412,414,099	14,230,779	2,846,156
2029-30	2,460,366,710	14,711,000	2,942,200
2030-31	2,509,278,373	15,200,825	3,040,165
2031-32	2,559,168,269	15,700,448	3,140,090
2032-33	2,610,055,964	16,210,062	3,242,012
2033-34	2,661,961,412	16,426,781	3,285,356
2034-35	2,714,904,969	16,950,922	3,390,184
2035-36	2,768,907,397	17,485,546	3,497,109
2036-37	2,823,989,874	18,030,863	3,606,173
2037-38	2,880,174,000	18,587,086	3,717,417
2038-39	2,937,481,809	19,154,433	3,830,887
2039-40	2,995,935,774	19,733,127	3,946,625
2040-41	3,055,558,819	20,323,395	4,064,679
2041-42	3,116,374,324	20,925,469	4,185,094
2042-43	3,178,406,139	21,539,584	4,307,917

Source: Fiscal Consultant's Report, Appendix A.

CROSSROADS REDEVELOPMENT PROJECT

General

The Crossroads Redevelopment Project is approximately 1,032 acres in size situated in the southeastern portion of the City and includes: 1) the generally commercial areas along El Cajon Boulevard and University Avenue from 54th Street on the west to the city limit with La Mesa on the east, 2) portions of the Fox Canyon and Chollas Creek residential area south of University Avenue between Euclid Avenue and 54th Street; 3) the residential area along Streamview Drive from 54th Street on the west and College Grove Drive on the east; 4) a four-acre area of neighborhood commercial and multi-family residential uses along the east side of 54th Street and north of College Grove Drive; and 5) Chollas Community Park generally bounded by Redwood and Thorn Streets to the north, State Highway 94 to the east and south, and 54th Street to the west. The Crossroads Redevelopment Project is within proximity of the Agency's City Heights, College Grove, and College Area Redevelopment Projects, as well as the redevelopment projects of the cities of Lemon Grove and La Mesa. Land uses in the Crossroads Redevelopment Project include residential, commercial, institutional, parks/open space, and public right-of-way.

The focus of the Redevelopment Plan is twofold: to revitalize the properties along El Cajon Boulevard, University Avenue, Streamview Drive, and College Avenue and the residential neighborhoods of Chollas Creek and Fox Canyon; and to develop the resource-based parkland at Chollas Community Park. The goal of the Redevelopment Plan is to address the physical conditions that exist along these corridors and to have a positive impact on the adjoining single-family neighborhoods.

The Redevelopment Plan was adopted in 2003 pursuant to Ordinance No. 19174. In 2011, the Agency is proposing to amend the Redevelopment Plan to merge the Crossroads Redevelopment Project with the adjacent College Grove Redevelopment Project. The College Grove Redevelopment Project encompasses approximately 167 acres generally bounded by State Route 94 to the south, College Avenue to the east, and College Grove Drive to the north. The College Grove Shopping Center covers approximately 56 acres and a housing development of 45-unit market rate town home rental units occupies approximately two acres at the northeast corner of College Grove Way and College Grove Drive. The balance of the College Grove Redevelopment Project, approximately 109 acres, is owned by the City of San Diego and includes Chollas Park (Lake), the closed Chollas Landfill.

TABLE 14
CROSSROADS REDEVELOPMENT PROJECT
REDEVELOPMENT PLAN LIMITATIONS

Plan Life	May 6, 2033
Last Date to Incur Debt	May 6, 2023
Last Date to Repay Debt	May 6, 2048
Last Date to Receive Tax Increment	May 6, 2048
Limit on Outstanding Bonded Indebtedness	$100,000,000
Limitation on Use of Eminent Domain	May 6, 2015

The Agency currently may not receive, and may not repay indebtedness with the proceeds from property taxes received pursuant to Section 33670 of the Redevelopment Law and the Redevelopment Plan, beyond the respective dates for the Crossroads Redevelopment Project indicated in the table above, except to repay debt to be paid from the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Redevelopment Law and the Redevelopment Plan, or debt established in order to fulfill the Agency's obligations under Section 33413 of the Redevelopment Law and the Redevelopment Plan, or certain refunding debt. Immediately following the issuance of the 2010 Bonds, the Agency will have [$_____] of bonded indebtedness outstanding for the Crossroads Redevelopment Project.

Prospective and Outstanding Obligations of the Crossroads Redevelopment Project

In late 2010, the Agency is planning to submit an application to the State of California Infrastructure and Economic Development Bank for a loan of up to $2,000,000 (the "Loan") to be secured by the non-housing tax increment revenues from the Crossroads Redevelopment Project (i.e., the tax increment revenues available after deducting the low/moderate income housing set- aside). Loan proceeds will be used to fund a portion of construction costs for a multipurpose building in the North Chollas Community Park located northeast of the Euclid Avenue/54th Street and State Route 94 intersection.

The Agency also has loans and debt to the City which is related to both CDBG and non-CDBG money. See "THE REDEVELOPMENT PROJECT AREAS – CDBG Related Agency Debt to the City," and "- Non-CDBG Related Agency Debt to the City," herein.

Land Use in the Crossroads Redevelopment Project

The following table shows the land use in the Crossroads Redevelopment Project, based on Fiscal Year 2009-2010 Assessed Valuation

TABLE 15
CROSSROADS REDEVELOPMENT PROJECT
Assessed Value by Land Use
Fiscal Year 2009-10

Land Use	No of Parcels[1]	Secured Total Net Assessed Value[2]	% of Total Net Assessed Value
Residential Property			
Vacant Residential	33	$ 3,545,217	0.43%
Single-Family Residential	750	129,700,233	15.56%
Multi-Family Residential	369	254,684,978	30.56%
Mobilehome	2	652,000	0.08%
Condominium	878	105,868,392	12.70%
Miscellaneous	4	9,955	0.00%
Subtotal	2,036	$494,460,775	59.33%
Commercial Property			
Office Space	205	123,774,525	14.85%
Retail	65	130,379,060	15.64%
Vacant Land	36	7,409,852	0.89%
Other Uses	67	62,805,220	7.54%
Subtotal	373	$324,368,657	38.92%
Industrial Property	12	4,245,301	0.51%
Institutional Property	22	10,343,721	1.24%
Total	**2,443**	**$833,418,454**	**100.00%**

Source: Fiscal Consultant's Report. Appendix A.

(1) Includes parcels with a secured net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.

(2) Based on final FY 2009-2010 Assessor's Roll.

Historic Assessed Valuation

The following table shows a six year history of assessed valuation for the Crossroads Redevelopment Project.

TABLE 16
CROSSROADS REDEVELOPMENT PROJECT
Historic Assessed Valuation

	FY 2004-2005 Taxable Value	FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	FY 2008-2009 Taxable Value	FY 2009-2010 Taxable Value
Secured Values[1]						
Land	$276,745,099	$331,073,699	$409,504,645	$454,297,981	$470,539,142	$427,046,732
Improvement	360,911,978	411,608,198	447,328,649	478,222,833	496,841,542	463,642,014
Personal Property	952,814	1,079,640	882,079	1,536,202	1,380,381	912,081
Gross Value	$638,609,891	$743,761,537	$857,715,373	$934,057,016	$968,761,065	$891,600,827
Less Exemptions	(42,163,033)	(42,528,324)	(49,389,149)	(48,452,212)	(50,932,766)	(52,274,373)
Total Secured	$596,446,858	$701,233,213	$808,326,224	$885,604,804	$917,828,299	$839,326,454
Unsecured Values[2]						
Land	0	0	0	0	0	0
Improvement	7,919,812	9,242,516	8,697,752	8,765,219	9,277,391	10,367,278
Personal Property	14,742,489	19,604,303	17,041,652	18,367,077	20,172,632	22,101,530
Gross Value	$ 22,662,301	$ 28,846,819	$ 25,739,404	$ 27,132,296	$ 29,450,023	$ 32,468,808
Less Exemptions	0	(1,175,540)	(972,659)	(1,166,105)	(1,139,996)	(1,603,780)
Total Unsecured	$ 22,662,301	$ 27,671,279	$ 24,766,745	$ 25,966,191	$ 28,310,027	$ 30,865,028
Total Secured and Unsecured	$619,109,159	$728,904,492	$833,092,969	$911,570,995	$946,138,326	$870,191,482
Percentage Change in Total Value	N/A	17.73%	14.29%	9.42%	3.79%	-8.03%
Base Year Value	$519,302,499	$518,827,473[3]	$518,827,473	$518,827,473	$518,827,473	$518,827,473
Incremental Value	$ 99,806,660	$210,077,019	$314,265,496	$392,743,522	$427,310,853	$351,364,009
Percentage Change in Incremental Value	N/A	110.48%	49.60%	24.97%	8.80%	-17.77%

Source: Fiscal Consultant's Report, Appendix A.

(1) Assessed values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).

(2) Based on information provided by the County of San Diego Auditor/Controller.

(3) Base value was adjusted downward following an adjustment downward of $475,000 made by the County in FY 2005-06.

Largest Taxpayers in the Crossroads Redevelopment Project

The following table shows the top ten taxpayers in the Crossroads Redevelopment Project based upon 2009-2010 assessed value.

TABLE 17
CROSSROADS REDEVELOPMENT PROJECT
Top Ten Taxpayers
Fiscal Year 2009-10

Owner	Land Use	No. of Parcels[1]	Secured Total Net Assessed Value[2]	Percent of Secured Total Net Value	Percent of Incremental Value[2]
Lakha Properties San Diego LLC	Retail/Vacant Commercial	11	$ 43,496,529	5.22%	12.38%
HG Real Estate Partners LP	Multi-Family Residential	2	29,710,595	3.56%	8.46%
CentrePoint LLC[3]	Multi-Family Residential/Retail/Vacant	13	16,182,345	1.94%	4.61%
1401 Camino Investors LP, 9375 Associates LP	Office/Retail	2	14,588,040	1.75%	4.15%
Sears Roebuck & Co./LWF San Diego LLC	Community Shopping Center	2	14,294,046	1.72%	4.07%
Pacific Region Realty Corp.	Rest Home/Convalescent Home	1	11,172,608	1.34%	3.18%
Odom Family[4]	Multi-Family Residential/Office	5	10,624,060	1.27%	3.02%
YFP Campus Pointe LLC	Office/Retail	2	9,872,891	1.18%	2.81%
Prebys Conrad Trust 12-17-82	Multi-Family Residential	3	9,387,319	1.13%	2.67%
Russo Properties LTD	Vacant Commercial/Office/Retail	11	9,284,736	1.11%	2.64%
Grand Total	**N/A**	**52**	**$168,613,169**	20.23%	**47.99%**

Source: Fiscal Consultant's Report, Appendix A.

(1) Includes parcels with a secured net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.

(2) Based on final FY 2009-2010 Assessor's Roll.

(3) As shown in the Appeals section, CentrePoint LLC contests that the value of its 13 parcels should be reduced to $8,180,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

(4) Three parcels owned by Odom Family LP with a net assessed value of $8,984,179 were sold to Wakeland Village Green after the FY 2009-10 Assessor's Roll was finalized on 1/1/2009. The parcels will be used for affordable housing and became tax-exempt. The tax-exempt status for the three parcels is not shown above, but has been reflected in the tax increment projections herein.

Recent Activity

El Cajon Boulevard Medians – Agency funding of $2, 340,000 was provided to reconstruct raised medians and install decorative stamped concrete, irrigation and landscaping as well as two community area signs within the medians along El Cajon Boulevard from 54th Street to 73rd Street. The project was completed in June 2008.

University Avenue Streetlights – Agency funding of $500,000 was provided for the installation of streetlights along University Avenue from 54th Street to 69th Street. The project was completed in April 2010

El Cajon Boulevard Streetlights - The Agency provided funding and coordinated with City of San Diego, Engineering Department on the design and installation of additional street lights along El Cajon Boulevard, College Avenue and Streamview Drive in order to meet City lighting requirements.

Housing Enhancement Loan Program - The Crossroads Housing Enhancement Loan Program (HELP) was established in October 2005 to assist low- to moderate-income owner-occupants with interior and exterior home improvements.

Village Green Apartments – The Agency entered into an Owner Participation Agreement (OPA) with Village Green Apartments LLC (i.e., Wakeland Housing) to provide $5.8 million for the acquisition and rehabilitation of a 94-unit apartment complex for households at or below 60% of the AMI. The project is scheduled for completion in August 2010.

Storefront Improvement Program - Agency staff and the Project Area Committee (PAC) worked with the City of San Diego, Economic Development Division and College Area BID to establish an Agency Storefront Improvement Program for the Crossroads Redevelopment Project on March 2010. The Agency provided $250,000 in initial funds for the program.

Appeals in the Crossroads Redevelopment Project

There are currently 76 appeal requests on record with the County for fiscal year 2009-2010 in the Crossroads Redevelopment Project and 119 pending appeal requests for fiscal year 2008-2009, which, along with resolved appeals not yet reflected on the assessment roll, the Fiscal Consultant estimates could decrease the Crossroads Redevelopment Project Value by approximately $42.5 million or 5% of the Crossroads Redevelopment Project assessed valuation. Based on historic success rates, the Fiscal Consultant has assumed that the resolution of the outstanding appeals will result in a 20% reduction of the total contested value on these parcels, on average, for the Crossroads Redevelopment Project.

For specific information regarding pending and settled appeals in the Crossroads Redevelopment Project, see "APPENDIX A – Fiscal Consultant's Report – Section II.G."

Historic Collections in the Redevelopment Project

The following table provides historic tax receipts compared to the actual levy for the last five fiscal years.

TABLE 18
CROSSROADS REDEVELOPMENT PROJECT
Historic Receipts to Levy [1]

Fiscal Year Ending:	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
I. Reported Assessed Value					
Total Project Value[2]	$619,109,159	$728,904,492	$833,092,969	$911,570,995	$946,138,326
Less Base Value	519,302,499	518,827,473	518,827,473	518,827,473	518,827,473
Incremental Value	99,806,660	210,077,019	314,265,496	392,743,522	427,310,853
Tax Rate	1.01080%	1.01020%	1.00970%	1.00950%	1.00930%
II. Gross Tax Increment	$ 1,008,846	$ 2,122,198	$ 3,173,139	$ 3,964,746	$ 4,312,848
Unitary Revenue	0	0	565	7,699	7,941
County Administrative Expenses	(10,222)	(17,753)	(25,495)	(28,573)	(38,999)
Total Computed Levy	$ 998,623	$ 2,104,445	$ 3,148,209	$ 3,943,872	$ 4,281,791
III. Total Receipts	$ 1,207,959	$ 2,828,739	$ 3,769,976	$ 4,255,951	$ 4,266,111
Surplus (Shortfall)	$ 209,335	$ 724,294	$ 621,766	$ 312,079	$ (15,680)
% Difference of Computed Levy[3]	120.96%	134.42%	119.75%	107.91%	99.63%

Source: Fiscal Consultant's Report, Appendix A.

(1) Fiscal Year 2004-2005 reflects the first year tax increment monies were collected.

(2) Based on total secured and unsecured value for the Project provided by the San Diego County Auditor/Controller as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).

(3) Actual receipts collected often exceed the amount levied due to penalties and interest collected by the Agency. The shortfall in Fiscal Year 2008-2009 can be attributed to delinquencies and lower revenues received by the Agency from the supplemental roll than in prior years.

As of May 10, 2010, 148 parcels (6.07% of the total parcels) in the Crossroads Redevelopment Project had a delinquency rate of 4.75% in the payment of secured fiscal year 2009-2010 property taxes to the County Tax Collector. The fiscal consultant reviewed zip codes 92105 and 92115 which fully encompass the Crossroads Redevelopment Project, but include areas outside of the Crossroads Redevelopment Project. As of May 10, 2010, 1,065 residential properties had Notices of Default recorded with the County, 1,425 residential properties were undergoing a trustee's sale, and 1,675 residential properties were bank owned. Zip codes 92105 and 92115 encompass over 40,000 residential units and there are 5,589 residential units within the Crossroads Redevelopment Project.

Projection of Tax Revenues and Estimated Coverage

The following table details projected Tax Revenues in the Crossroads Redevelopment Project. The projections start with fiscal year 2009-2010 and then utilize the following assumptions:

1. For purposes of the projection, fiscal year 2009-2010 is reduced to reflect actual and expected successful appeals in the Crossroads Redevelopment Project.

2. Fiscal Years 2010-2011 and 2011-2012 have an assumed reduction of 6% and 4% respectively.

3. There is assumed no change to value in Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through 2018-2019, and an annual increase of 2% each year thereafter.

4. A 1.00% tax rate is used for each fiscal year after 2009-2010.

TABLE 19
CROSSROADS REDEVELOPMENT PROJECT
Projection of Tax Revenues

Fiscal Year Ending	Total Value	Incremental Value Over Base of $518,827,473	Net Tax Increment Revenue	Low/Moderate Income Housing Set-Aside Revenue
2009-10	$832,222,837	$313,395,364	$3,107,778	$621,556
2010-11	783,574,057	264,746,584	2,602,457	520,491
2011-12	753,087,488	234,260,015	2,303,689	460,738
2012-13	753,087,488	234,260,015	2,303,689	460,738
2013-14	760,404,264	241,576,791	2,399,551	479,910
2014-15	767,794,209	248,966,736	2,472,711	494,542
2015-16	775,258,052	256,430,579	2,546,603	509,321
2016-17	782,796,535	263,969,062	2,621,234	524,247
2017-18	790,410,402	271,582,929	2,696,612	539,322
2018-19	798,100,407	279,272,934	2,772,743	554,549
2019-20	813,634,219	294,806,746	2,926,528	585,306
2020-21	829,478,707	310,651,234	3,083,388	616,678
2021-22	845,640,084	326,812,611	3,243,386	648,677
2022-23	862,124,689	343,297,216	3,406,583	681,317
2023-24	878,938,986	360,111,513	3,573,045	714,609
2024-25	896,089,569	377,262,096	3,742,836	748,567
2025-26	913,583,164	394,755,691	3,916,022	783,204
2026-27	931,426,631	412,599,158	4,092,672	818,534
2027-28	949,626,967	430,799,494	4,272,856	854,571
2028-29	968,191,309	449,363,836	4,456,643	891,329
2029-30	987,126,939	468,299,466	4,644,105	928,821
2030-31	1,006,441,281	487,613,808	4,835,317	967,063
2031-32	1,026,141,910	507,314,437	5,030,354	1,006,071
2032-33	1,046,236,552	527,409,079	5,229,291	1,045,858
2033-34	1,066,733,086	547,905,613	5,432,206	1,086,441
2034-35	1,087,639,551	568,812,078	5,639,180	1,127,836
2035-36	1,108,964,146	590,136,673	5,850,294	1,170,059
2036-37	1,130,715,232	611,887,759	6,065,630	1,213,126
2037-38	1,152,901,340	634,073,867	6,285,272	1,257,054
2038-39	1,175,531,170	656,703,697	6,509,307	1,301,861
2039-40	1,198,613,597	679,786,124	6,737,823	1,347,565
2040-41	1,222,157,672	703,330,199	6,970,910	1,394,182
2041-42	1,246,172,629	727,345,156	7,208,658	1,441,732
2042-43	1,270,667,885	751,840,412	7,451,161	1,490,232
2043-44	1,295,653,046	776,825,573	7,698,514	1,539,703
2044-45	1,321,137,911	802,310,438	7,950,814	1,590,163
2045-46	1,347,132,472	828,304,999	8,208,160	1,641,632
2046-47	1,373,646,925	854,819,452	8,470,653	1,694,131
2047-48	1,400,691,667	881,864,194	8,738,396	1,747,679

Source: Fiscal Consultant's Report, Appendix A.

NAVAL TRAINING CENTER REDEVELOPMENT PROJECT

General

The Naval Training Center ("NTC") Redevelopment Project covers approximately 504 acres within the Peninsula Community Planning Area 2.5 miles northwest of downtown San Diego. The NTC Redevelopment Project is generally bordered by Rosecrans Street, Lytton Avenue, Nimitz Boulevard, and San Diego International Airport ("SDIA"). It is adjacent and in close proximity to the Marine Corps Training Depot and the Fleet Anti-submarine Warfare Training Center, respectively.

The NTC Redevelopment Project was adopted pursuant to legislation (AB 2736) enacted to address the unique issues associated with redeveloping former military installations. The Redevelopment Plan provides for the elimination of blight through upgrading of infrastructure; new residential, office and institutional construction; rehabilitation of historic buildings and renovation of educational buildings.

In 2000, the Redevelopment Agency entered into a Disposition and Development Agreement ("DDA") with McMillin-NTC, LLC ("McMillin"), whereby McMillin, as master developer, is responsible for the redevelopment of 361 acres of the Redevelopment Project, now known as "Liberty Station," including the residential, educational, office, retail, hotel, and park and open space uses. Under the terms of the DDA, McMillin also assumed responsibility for the management and maintenance of the property until the redevelopment is completed.

The NTC Redevelopment Project has been developed into a pedestrian-oriented, mixed-use community with acreage devoted to residential, educational, and recreational uses including a 9-hole golf course, office and commercial/retail space, hotels, and a Civic, Arts and Culture Center situated within 26 buildings in the Historic Core. The NTC Redevelopment Project is bifurcated by a boat channel connecting to San Diego Bay. On the east side of the boat channel uses include the Metropolitan Wastewater Department's ocean monitoring laboratory; a Regional Public Safety Training Institute, operated by a joint powers authority of the City of San Diego, County of San Diego, and San Diego Community College District; the expansion of SDIA; and an area designated for the development of one or more hotels with up to 650 rooms. The NTC Redevelopment Project also includes 500 units of new military family housing located adjacent to the Liberty Station residential community.

The Historic Core at NTC is comprised of 56 buildings that are listed on the National Register of Historic Places. The majority of the buildings have been adaptively reused to include office space, retail space, and the golf course. The buildings in the Civic, Arts and Cultural Center ("CACC") are to be rehabilitated and managed by the NTC Foundation, a non-profit organization established for the purpose of rehabilitating and operating the CACC at NTC. To date the NTC Foundation has completed the rehabilitation of seven buildings in the CACC.

The areas of the NTC Redevelopment Project remaining to be redeveloped are the east side hotel property which is being used as a park and fly lot on an interim basis, and 19 buildings in the Civic Arts and Cultural Center.

The boat channel is the only remaining parcel to be conveyed from the Navy to the City. The Navy and the Regional Water Quality Control Board are in discussions regarding the remediation of contamination in the channel.

The Redevelopment Plan was adopted in 1997 and amended once since its original adoption. The following table shows the history of the Redevelopment Plan adoption and the subsequent amendments to the Redevelopment Plan.

NAVAL TRAINING CENTER REDEVELOPMENT PLAN
REDEVELOPMENT PLAN HISTORY

Action	Ordinance No.	Date	Purpose
Original Adoption	18405.N.S.	May 13, 1997	Establish Redevelopment Project and adopt Plan
Amendment 1	19513.N.S.	July 18, 2006	Extend the effectiveness of the Redevelopment Plan and the last date to receive tax increment revenues by one year

There are no additional amendments planned for the NTC Redevelopment Project at this time.

Provisions of the Redevelopment Law and the Redevelopment Plan establish various time limits for undertaking redevelopment activities and for repaying debt incurred to finance redevelopment projects. These time limits for the NTC Redevelopment Project are set forth in the table below.

NAVAL TRAINING CENTER REDEVELOPMENT PROJECT
REDEVELOPMENT PLAN LIMITATIONS

Plan Life	May 13, 2035
Last Date to Incur Debt	May 13, 2024
Last Date to Repay Debt	May 13, 2050
Last Date to Receive Tax Increment	May 13, 2050
Limit on Outstanding Bonded Indebtedness	$56,000,000
Limit on Receipt of Tax Increment	$215,000,000
Limitation on Use of Eminent Domain	May 13, 2016

The Agency currently may not receive, and may not repay indebtedness with the proceeds from property taxes received pursuant to Section 33670 of the Redevelopment Law and the Redevelopment Plan, beyond the respective dates for the NTC Redevelopment Project indicated in the table above, except to repay debt to be paid from the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Redevelopment Law and the Redevelopment Plan, or debt established in order to fulfill the Agency's obligations under Section 33413 of the Redevelopment Law and the Redevelopment Plan, or certain refunding debt. Immediately following the issuance of the 2010 Bonds, the Agency will have $_____ of bonded indebtedness outstanding for the NTC Redevelopment Project.

Other Outstanding Obligations of the Naval Training Center Redevelopment Project

On July 26, 2007, and as amended in July, 2010, the Agency entered into two Credit Agreements with San Diego National Bank, which provided for: 1) a $16,000,000 line of credit to the Agency, with repayment secured by a pledge by the Agency of non-housing tax increment revenues from the NTC Redevelopment Project; and 2) a $7,100,000 line of credit, with repayment secured by a pledge of housing tax increment revenues from the NTC Redevelopment Project. The lines of credit each had a term of three-years and required quarterly interest payments beginning October 5, 2007. The Agency has drawn $12,211,076 from the non-housing line of credit and has used the funds to reimburse McMillin for certain public infrastructure improvements and to provide a rehabilitation grant to the NTC Foundation for costs associated with the rehabilitation of buildings in the CACC. The Agency has drawn $5,600,000 from the housing line of credit and has used the funds to assist the Verbena and the El Pedregal affordable housing projects in the San Ysidro Redevelopment Project. The Agency anticipates that the two lines of credit will be paid in full with concurrent 2010 Tax Allocation Bond issues, payable solely from non-housing and housing tax increment, respectively.

The Agency also has loans and debt to the City which is related to both CDBG and non-CDBG money. See "THE REDEVELOPMENT PROJECT AREAS – CDBG Related Agency Debt to the City," and "- Non-CDBG Related Agency Debt to the City," herein.

U.S. Department of Housing and Urban Development Loan. In 2003, the Agency entered into a Rehabilitation Grant Agreement with the NTC Foundation to contribute $5.85 million for the rehabilitation of six historic buildings in the NTC Civic, Arts and Cultural Center. Funds for the Rehabilitation Grant Agreement were provided by a $5.91 million Section 108 loan the City received from the U.S. Department of Housing and Urban Development ("HUD") in 2004. Interest-only payments on the loan are due each February 1; principal and interest payments are due each August 1. Total annual payments of principal and interest of approximately $506,000 are paid by the Agency from Project Area tax increment revenues. The total amount of outstanding loans as of June 30, 2009 is approximately $7.18 million, of which approximately $5.07 million is principal. The Agency's obligation to repay the loan is subordinate to the Agency's repayment obligation with respect to any bonds, notes, or other indebtedness issued by the Agency.

Cooperation Agreement. Pursuant to a Cooperation Agreement between the City and the Agency dated June 26, 2000, approximately 429 acres was sold by the City to the Agency for $8.3 million for the Agency to implement the NTC Reuse Plan and NTC Redevelopment Plan. Current interest that has accrued on the loan is $7,267,557 as of June 30, 2010. The Agency is to pay the City on demand from available tax increment revenue or other sources not otherwise needed to carry out the Redevelopment Plan. The Agency's obligation is subordinate to any pledge of tax increment made in connection with any bonds or other obligations issued by the Agency to finance the redevelopment of the Project Area. However, repayment is to be made no later than the Project Area's time limit for the repayment of indebtedness, 2050.

Land Use in the Naval Training Center Redevelopment Project

The following table shows the land use in the NTC Redevelopment Project, based on fiscal year 2009-2010 assessed valuation.

TABLE 20
NAVAL TRAINING CENTER REDEVELOPMENT PROJECT
Assessed Value by Land Use
Fiscal Year 2009-10

Land Use[1]	No. of Parcels[1]	Secured Total Net Assessed Value[2]	Percent of Net Assessed Value
Residential Property			
Single-Family Residential	349	$218,248,793	46.05%
Miscellaneous	1	0	0.00%
Subtotal	350	$218,248,793	46.05%
Commercial Property			
Office Space	22	$124,687,960	26.31%
Retail	6	27,258,719	5.75%
Hotel	2	68,725,793	14.50%
Vacant Land	23	13,666,068	2.88%
Other Uses	1	0	0.00%
Subtotal	54	$234,338,540	49.45%
Industrial Property			
Factory/Manufacturing	4	$ 4,639,853	0.98%
Subtotal	4	$ 4,639,853	0.98%
Institutional Property	11	5,471,700	1.15%
Recreational Property	3	11,214,486	2.37%
Miscellaneous Use	9	1	0.00%
Total	431	$473,913,373	100.00%

Source: Fiscal Consultant's Report, Appendix A.

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.

(2) Based on final FY 2009-2010 Assessor's Roll.

Historic Assessed Valuation

The following table shows a six year history of assessed valuation in the NTC Redevelopment Project which has a base year valuation of $0.0.

TABLE 21
NAVAL TRAINING CENTER REDEVELOPMENT PROJECT
Historic Tax Increment Values

	FY 2004-2005 Taxable Value	FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	FY 2008-2009 Taxable Value	FY 2009-2010 Taxable Value
Secured Values[1] [2]						
Land	$103,538,887	$181,535,185	$226,118,963	$220,996,992	$223,602,190	$215,734,612
Improvement	106,197,843	172,114,802	165,164,734	208,962,172	278,728,341	325,824,790
Personal Property	0	404,315	408,225	463,836	486,680	3,298,348
Gross Value	$209,736,730	$354,054,302	$391,691,922	$430,423,000	$502,817,211	$544,857,750
Less Exemptions	(13,384,540)	(16,504,227)	(7,051,107)	(51,190,293)	(65,319,524)	(69,351,177)
Total Secured	$196,352,190	$337,550,075	$384,640,815	$379,232,707	$437,497,687	$475,506,573
Unsecured Values[2]						
Land	0	0	0	0	0	0
Improvement	0	12,832	293,173	1,598,922	7,911,209	6,225,385
Personal Property	540,989	2,213,218	6,501,106	43,098,283	24,148,630	24,365,536
Gross Value	$ 540,989	$ 2,226,050	$ 6,794,279	$ 44,697,205	$ 32,059,839	$ 30,590,921
Less Exemptions	0	(1,715,190)	(3,158,265)	(38,735,206)	(16,583,996)	(12,710,349)
Total Unsecured	$ 540,989	$ 510,860	$ 3,636,014	$ 5,961,999	$ 15,475,843	$ 17,880,572
Total Secured and Unsecured	$196,893,179	$338,060,935	$388,276,829	$385,194,706	$452,973,530	$493,387,145
Percentage Change in Total Value	95.24%	71.70%	14.85%	-0.79%	17.60%	8.92%
Base Year Value[3]	0	0	0	0	0	0
Incremental Value	$196,893,179	$338,060,935	$388,276,829	$385,194,706	$452,973,530	$493,387,145
Percentage Change in Incremental Value	95.24%	71.70%	14.85%	-0.79%	17.60%	8.92%

Source: Fiscal Consultant's Report, Appendix A.

(1) Assessed values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).

(2) Based on information provided by the County of San Diego Auditor/Controller.

(3) Base value is $0.

Largest Taxpayers in the Naval Training Center Redevelopment Project

The following table shows the largest taxpayers in the NTC Redevelopment Project based on 2009-2010 assessed value.

TABLE 22
NAVAL TRAINING CENTER REDEVELOPMENT PROJECT
Top Ten Taxpayers
Fiscal Year 2009-10

Owner[1]	Land Use	No. of Parcels[1]	Secured Total Net Assessed Value[2]	Percent of Secured Total Net Value	Percent of Incremental Value[2]
Liberty Station HHG Hotel LP/City of San Diego Redevelopment Agency[3][4]	Hotel/Motel	2	$68,725,793	14.50%	13.93%
McMillin-NTC Landing LLC/City of San Diego Redevelopment Agency[3][5][6]	Store Building	7	20,159,140	4.25%	4.09%
The Vons Companies Inc/City of San Diego Redevelopment Agency[3][7]	Store Building	1	18,666,000	3.94%	3.78%
McMillin-NTC LLC/City of San Diego Redevelopment Agency[3][5]	Vacant Commercial/Store	10	18,246,719	3.85%	3.70%
McMillin NTC 902 LLC[5]	Office Building	1	16,109,800	3.40%	3.27%
McMillin NTC 903/904 LLC[5]	Office Building	1	13,573,196	2.86%	2.75%
CDC Small Business Finance Corp	Office Building	1	10,428,980	2.20%	2.11%
McMillin NTC 193 LLC/City of San Diego Redevelopment Agency[3][5]	Store Building	1	10,330,257	2.18%	2.09%
Building 907 LLC	Office Building	1	9,975,224	2.10%	2.02%
McMillin NTC 901 LLC[5]	Office Building	1	9,829,189	2.07%	1.99%
Grand Total	**N/A**	**26**	**$196,044,298**	**41.37%**	**39.73%**

Source: Fiscal Consultant's Report, Appendix A.

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-2010 Assessor's Roll.

(2) Based on final FY 2009-2010 Assessor's Roll.

(3) Based on ownership information provided by the County of San Diego as of 1/1/09, parcels are leased from the City of San Diego Redevelopment Agency.

(4) As shown in the Appeals section, Liberty Station HHG Hotel LP contests that the value of one of its two parcels should be reduced from the original value of $40,258,287 to $18,000,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 60% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

(5) The properties owned and/or leased by the various "McMillin" entities (including entities not shown above) account for a total net assessed value of $107,848,399 which is equal to 22.76% of the total net assessed value and 21.86% of the total tax increment value.

(6) As shown in the Appeals section, McMillin-NTC Landing LLC contests that the value of one of its seven parcels should be reduced from the original value of $11,795,000 to $5,750,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 60% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

(7) As shown in the Appeals section, The Vons Companies Inc. contests that the value of its parcel should be reduced to $9,300,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 60% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

Recent Activity

Shoreline Plaza – Completion of the rehabilitation of five buildings at the north end of the boat channel for light industrial uses.

The Landing – Completion of the rehabilitation of nine buildings in the north end of the NTC Redevelopment Project for commercial uses.

NTC Park – The 46-acre community park adjacent to the boat was opened in December 2009.

Civic Arts & Culture Center – Seven historic buildings in the Civic Arts & Culture Center have been rehabilitated and leased primarily to non-profit arts and community serving groups. The Agency has provided $11.85 million to the NTC Foundation for the rehabilitation of historic buildings. The Agency is in discussions with the NTC Foundation to provide an additional $4 million for historic rehabilitation.

Shoreline Improvements – In anticipation of the conveyance of the boat channel from the Navy to the City, the Agency has hired a consultant to provide cost estimates of shoreline improvements which will be part of an amendment to the NTC Park General Development Plan.

Liberty Station Marketplace - Liberty Station Marketplace is approximately 170,000 square feet of retail, grocery, restaurant and office space located in NTC's historic district. Major tenants include Vons, Trader Joe's, Starbucks, Panera Bread, Sammy's Woodfired Pizza as well as smaller retail, restaurant and office tenants. The Agency has entered into long-term ground leases for the buildings in the historic core as well as new buildings constructed on property within the Tidelands Trust. The ground leases contain provisions regarding Permitted Leasehold Mortgages which require that all Permitted Leasehold Mortgages have a loan to value ("LTV") ratio not to exceed 80% at inception or modification. All modifications to Permitted Leasehold Mortgages require Agency approval. McMillin is in the process of modifying its loans for the Liberty Station Marketplace buildings which will result in a loan to value ratio in excess of 80%. McMillin has requested the Agency's approval of the proposed modification and an amendment to the ground leases to permit an LTV ratio in excess of 80% on terms consistent with the modification. Without the Agency's approval of the proposed modification and amendment to the LTV terms of the ground leases, there is the chance that McMillin will be in default on the Marketplace loans unless McMillin and its lenders make alternative arrangements. There is not currently an event of default under the loans. If a default were to occur, the Agency has the right to cure the default. Should the Agency be unable to cure the default, then there is a risk that upon foreclosure the Permitted Leasehold Mortgagee would convey the Lease for an amount that results in a reduction of the current assessed value and/or the new Lessee fails to attract tenants to fill existing vacant space or retain existing tenants. See "BONDOWNERS' RISKS – Development and Economic Risks," herein.

Appeals in the Naval Training Center Redevelopment Project

As of March 8, 2010, there were 9 unresolved requests on record with the County for the NTC Redevelopment Project, which along with resolved appeals not yet reflected on the assessment roll, the Fiscal Consultant estimates could decrease the NTC Redevelopment Project assessed value by $33.8 million, or 7% of the Project Area assessed valuation. Based on historical success rates the Fiscal Consultant has assumed that the resolution of the outstanding appeals will result in a 8% reduction of total contested residential value and 40% of total contested non-residential value on these parcels, on average, in the NTC Redevelopment Project.

For specific information about pending and settled appeals in the NTC Redevelopment Project see, "APPENDIX A – FISCAL CONSULTANT'S REPORT – Section II.G."

Historic Collections in Redevelopment Project

The following table shows actual receipts to the levy in the NTC Redevelopment Project for the last six fiscal years.

TABLE 23
NAVAL TRAINING CENTER REDEVELOPMENT PROJECT
Historic Receipts to Levy

Fiscal Year Ending:	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
I. Reported Assessed Value						
Total Project Value[1]	$100,846,542	$196,893,179	$338,060,935	$388,276,829	$385,194,706	$452,973,530
Less Base Value	0	0	0	0	0	0
Incremental Value	100,846,542	196,893,179	338,060,935	388,276,829	385,194,706	452,973,530
Tax Rate	1.11000%	1.01080%	1.01020%	1.00970%	1.00950%	1.00930%
II. Gross Tax Increment	1,119,397	1,990,196	3,415,092	3,920,431	3,888,541	4,571,862
Unitary Revenue	1	1	1	911	9,730	10,005
County Administrative Expenses	(8,153)	(18,762)	(29,167)	(31,615)	(28,005)	(41,412)
Total Computed Levy	$ 1,111,245	$ 1,971,435	$ 3,385,926	$ 3,889,727	$ 3,870,265	$ 4,540,455
III. Total Receipts	$ 1,465,190	$ 2,698,119	$ 3,886,310	$ 4,100,768	$ 3,983,863	$ 4,870,638
Surplus (Shortfall)	$ 353,945	$ 726,684	$ 500,384	$ 211,041	$ 113,598	$ 330,183
% Difference of Computed Levy	131.85%	136.86%	114.78%	105.43%	102.94%	107.27%

Source: Fiscal Consultant's Report, Appendix A.
(1) Based on total secured and unsecured value for the Project provided by the San Diego County Auditor/Controller.

The fiscal consultant sampled parcels with zip code 92106 which encompasses the Redevelopment Project, as well as properties outside of the NTC Redevelopment Project. As of May 10, 2010, 19 parcels (4.74% of the total parcels) in the NTC Redevelopment Project had a delinquency rate of 1.22% in the payment of secured fiscal year 2009-2010 property taxes to the County Tax Collector. Additionally, 306 residential properties had Notices of Default recorded with the County, 416 residential properties were undergoing a trustee's sale and 396 residential properties were bank owned. The zip code encompasses more than 7,000 residential units and there are 349 residential units in the NTC Redevelopment Project.

Projection of Tax Revenues and Estimated Coverage

The following table details projected Tax Revenues in the NTC Redevelopment Project. The projections start with fiscal year 2009-2010 and then utilize the following assumptions:

1. For purposes of the projection, fiscal year 2009-2010 is reduced to reflect actual and expected successful appeals in the Naval Training Center Redevelopment Project.

2. Fiscal years 2010-2011 and 2011-2012 have an assumed reduction of 2% and 1%, respectively.

3. There is assumed no change to value in Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through 2018-2019, and an annual increase of 2% each year thereafter.

4. A 1.00% tax rate is used for each fiscal year after 2009-2010.

TABLE 24
NAVAL TRAINING CENTER REDEVELOPMENT PROJECT
Projection of Tax Revenues

Fiscal Year Ending	Total Value	Incremental Value Over Base of $0	Net Tax Increment Revenue	Available Housing Tax Increment Revenue
2009-10	$457,995,244	$457,995,244	$4,586,325	$917,265
2010-11	449,134,410	449,134,410	4,456,435	891,287
2011-12	444,792,601	444,792,601	4,413,451	882,690
2012-13	444,792,601	444,792,601	4,413,451	882,690
2013-14	449,090,992	449,090,992	4,456,006	891,201
2014-15	453,432,366	453,432,366	4,498,985	899,797
2015-16	457,817,155	457,817,155	4,542,395	908,479
2016-17	462,245,791	462,245,791	4,586,238	917,248
2017-18	466,718,714	466,718,714	4,630,520	926,104
2018-19	471,236,365	471,236,365	4,675,245	935,049
2019-20	480,362,022	480,362,022	4,765,589	953,118
2020-21	489,670,192	489,670,192	4,857,740	971,548
2021-22	499,164,525	499,164,525	4,951,734	990,347
2022-23	508,848,745	508,848,745	5,047,607	1,009,521
2023-24	518,726,649	518,726,649	5,145,399	1,029,080
2024-25	528,802,111	528,802,111	5,245,146	1,049,029
2025-26	539,079,083	539,079,083	5,346,888	1,069,378
2026-27	549,561,594	549,561,594	5,450,665	1,090,133
2027-28	560,253,755	560,253,755	5,556,517	1,111,303
2028-29	571,159,759	571,159,759	5,664,486	1,132,897
2029-30	582,283,884	582,283,884	5,774,615	1,154,923
2030-31	593,630,491	593,630,491	5,886,947	1,177,389
2031-32	605,204,030	605,204,030	6,001,525	1,200,305
2032-33	617,009,040	617,009,040	6,118,394	1,223,679
2033-34	629,050,150	629,050,150	6,237,601	1,247,520
2034-35	641,332,082	641,332,082	6,359,192	1,271,838
2035-36	653,859,653	653,859,653	6,483,215	1,296,643
2036-37	666,637,775	666,637,775	6,609,719	1,321,944
2037-38	679,671,460	679,671,460	6,738,752	1,347,750
2038-39	692,965,819	692,965,819	6,870,366	1,374,073
2039-40	706,526,064	706,526,064	7,004,613	1,400,923
2040-41	720,357,515	720,357,515	7,141,544	1,428,309
2041-42	734,465,594	734,465,594	7,281,214	1,456,243
2042-43	748,855,836	748,855,836	7,423,678	1,484,736
2043-44	763,533,882	763,533,882	7,568,990	1,513,798
2044-45	778,505,489	778,505,489	7,717,209	1,543,442
2045-46	793,776,528	793,776,528	7,868,392	1,573,678
2046-47	809,352,988	809,352,988	8,022,599	1,604,520
2047-48	825,240,977	825,240,977	8,179,890	1,635,978

Source: Fiscal Consultant's Report, Appendix A.

NORTH BAY REDEVELOPMENT PROJECT

General

The 1,360-acre North Bay Redevelopment Project is composed of a variety of land uses that are designated for residential, mixed-use, high technology office/flex/R&D, light industrial, and retail development opportunities along Interstate 5, Pacific Highway, Morena Boulevard, India Street, portions of Rosecrans, Voltaire Street, and in the City's Midway/Sports Arena District. The North Bay Redevelopment Project is centrally located two miles from Downtown, is adjacent to the San Diego International Airport, is accessible by two major freeways, and has both light-rail and heavy-rail transportation for employees and freight. The North Bay Redevelopment Project is home to major high-tech employers including the Space and Naval Warfare Systems Command (SPAWAR) and Science Applications International Corporation (SAIC) and provides access to San Diego Bay and Mission Bay.

The Redevelopment Plan was adopted in 1998 and amended once since its original adoption. The following table shows the history of the Redevelopment Plan adoption and the subsequent amendments to the Redevelopment Plan.

NORTH BAY REDEVELOPMENT PLAN
REDEVELOPMENT PLAN HISTORY

Action	Ordinance No.	Date	Purpose
Original Adoption	18516-N.S.	May 18, 1998	Establish North Bay Redevelopment Project and adopt Plan
Amendment 3	19514-N.S.	July 1, 2006	Extended the effective date of the plan and the time to receive tax increment to repay indebtedness

The Agency is starting work on the necessary studies to determine if an extension of the time limitation of the use of eminent domain within the North Bay Redevelopment Project is warranted.

Provisions of the Redevelopment Law and the Redevelopment Plan establish various time limits for undertaking redevelopment activities and for repaying debt incurred to finance redevelopment projects. These time limits for the North Bay Redevelopment Project are set forth in the table below.

NORTH BAY REDEVELOPMENT PROJECT
REDEVELOPMENT PLAN LIMITATIONS

Plan Life	May 18, 2029
Last Date to Incur Debt	May 18, 2018
Last Date to Repay Debt	May 18, 2044
Last Date to Receive Tax Increment	May 18, 2044
Limit on Outstanding Bonded Indebtedness	$93,000,000
Limitation on Use of Eminent Domain	May 18, 2010

The Agency currently may not receive, and may not repay indebtedness with the proceeds from property taxes received pursuant to Section 33670 of the Redevelopment Law and the Redevelopment Plan, beyond the respective dates for the North Bay Redevelopment Project indicated in the table above, except to repay debt to be paid from the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Redevelopment Law and the Redevelopment Plan, or debt established in order to fulfill the Agency's obligations under Section 33413 of the Redevelopment Law and the Redevelopment Plan, or certain refunding debt. Immediately following the issuance of the 2010 Bonds, the Agency will have $_____ of bonded indebtedness outstanding for the North Bay Redevelopment Project.

Senior Lien on Tax Revenues

The Agency currently has certain outstanding bonds that have a lien on Tax Revenues to the lien securing the Bonds, which are referenced in the definition of Tax Revenues above. Outstanding senior lien debt includes the Agency's North Bay Redevelopment Project Tax Allocation Bonds, Series 2000, in the initial principal amount of $13,000,000, of which $10,935,000 are outstanding the "North Bay 2000 Senior Bonds"). Under the Indenture, the Agency has covenanted not to issue any additional senior lien debt with a pledge of housing set-aside tax increment from the North Bay Redevelopment Project prior to the pledge of Tax Revenues under the Indenture. The Agency used approximately 25% of the proceeds of the 2000 Bonds for housing purposes, Under the Redevelopment Law, the Agency may pay that portion of the scheduled debt service on the 2000 Bonds attributable to the proceeds of such bonds used for housing purposes (or a total of 25% of the debt service on the North Bay 2000 Senior Bonds) from funds required to be deposited to the Agency's Low And Moderate Income Housing Fund.

Other Obligations of the North Bay Redevelopment Project

On July 26, 2007, as amended in July, 2010, the Agency entered into a Credit Agreement with San Diego National Bank, which provided for an $8,600,000 line of credit to the Agency, with repayment secured by

a pledge by the Agency of housing tax increment revenues from the North Bay Redevelopment Project. The line of credit had a term of three-years, and required quarterly interest payments beginning October 5, 2007. The Agency has drawn $8,580,000 from the line of credit and has allocated the funds to the Los Vientos affordable housing project in the Barrio Logan Project Area, the Village Green affordable apartment project in the Crossroads Project Area, the Verbena affordable housing project in the San Ysidro Project Area, and the affordable housing component of the Mercado Mixed Use project in the Barrio Logan Project Area. The Agency anticipates that this line of credit will be paid in full with the 2010 Bonds.

CalHFA Loan – In 2006, the Agency entered into a $1.25 million loan agreement with the California Housing Finance Authority. The loan accrues annual simple interest of 3% with a lump sum repayment due in October 2016. The loan agreement is a general obligation of the Agency and the source of funds for repayment is not limited to any particular assets of the Agency. Payment will be made from the North Bay low and moderate income housing fund subordinate to the 2010 Bonds.

The Agency also has loans and debt to the City which is related to both CDBG and non-CDBG money. See "THE REDEVELOPMENT PROJECT AREAS – CDBG Related Agency Debt to the City," and "- Non-CDBG Related Agency Debt to the City," herein.

Land Use in the North Bay Redevelopment Project

The following table shows the land use in the North Bay Redevelopment Project, based on fiscal year 2009-2010 assessed valuation.

TABLE 25
NORTH BAY REDEVELOPMENT PROJECT
Assessed Value by Land Use
Fiscal Year 2009-10

Land Use	No of Parcels[1]	Secured Total Net Assessed Value[2]	Percent of Total Net Assessed Value
Residential Property			
Vacant Residential	22	$ 1,902,909	0.13%
Single-Family Residential	161	43,546,491	3.00%
Multi-Family Residential	863	305,722,571	21.09%
Miscellaneous	3	1,304,634	0.09%
Subtotal	1,049	$ 352,476,605	24.32%
Commercial Property			
Office Space	423	$ 397,568,802	27.43%
Retail	71	94,257,563	6.50%
Vacant Land	44	12,571,159	0.87%
Other Uses	154	294,131,926	20.29%
Subtotal	692	$ 798,529,450	55.09%
Industrial Property			
Vacant Land	44	$ 9,446,685	0.65%
Factory/Manufacturing	58	60,583,429	4.18%
Warehouse/Processing/Storage	138	193,561,413	13.35%
Automotive Garages	33	21,689,487	1.50%
Miscellaneous	5	5,784,237	0.40%
Subtotal	278	$ 291,065,251	20.08%
Farm/Rural Land	0	$0	0.00%
Institutional Property	8	559,092	0.04%
Recreational Property	5	6,271,109	0.43%
Miscellaneous Use	5	673,164	0.05%
Total	**2,037**	**$1,449,574,671**	**100.00%**

Source: Fiscal Consultant's Report, Appendix A.

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies and other non-taxable parcels based on final FY 2009-10 Assessor's Roll.

(2) Based on final FY 2009-2010 Assessor's Roll.

Historic Assessed Valuation in the North Bay Redevelopment Project

The following table shows a six year history of assessed valuation in the North Bay Redevelopment Project, which has a base year assessed valuation of $680,707,692.

TABLE 26
NORTH BAY REDEVELOPMENT PROJECT
Historic Assessed Valuation

	FY 2004-2005 Taxable Value	FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	FY 2008-2009 Taxable Value	FY 2009-2010 Taxable Value
Secured Values[1][2]						
Land	$ 492,695,596	$ 549,403,033	$ 617,974,754	$ 702,101,263	$ 751,213,849	$ 780,113,852
Improvement	475,547,876	499,381,696	591,629,188	692,373,819	720,142,632	736,200,180
Personal Property	7,704,716	7,570,499	7,024,412	7,714,432	7,612,343	7,720,624
Gross Value	$975,948,188	$1,056,355,228	$1,216,628,354	$1,402,189,514	$1,478,968,824	$1,524,034,656
Less Exemptions	(43,514,058)	(45,075,349)	(49,203,804)	(53,369,305)	(66,856,630)	(71,508,785)
Total Secured	$ 932,434,130	$1,011,279,879	$1,167,424,550	$1,348,820,209	$1,412,112,194	$1,452,525,871
Unsecured Values[2]						
Land	0	0	0	0	0	0
Improvement	22,705,695	24,565,265	32,435,833	34,432,326	42,566,948	33,082,381
Personal Property	79,720,111	80,232,756	84,987,364	78,101,791	87,019,774	87,956,297
Gross Value	$ 102,425,806	$ 104,798,021	$ 117,423,197	$ 112,534,117	$ 129,586,722	$ 121,038,678
Less Exemptions	(5,824,787)	(8,003,146)	(11,657,703)	(7,179,814)	(8,606,689)	(14,997,838)
Total Unsecured	$ 96,601,019	$ 96,794,875	$ 105,765,494	$ 105,354,303	$ 120,980,033	$ 106,040,840
Total Secured and Unsecured	$1,029,035,149	$1,108,074,754	$1,273,190,044	$1,454,174,512	$ 1,533,092,227	$ 1,558,566,711
Percentage Change in Total Value	5.57%	7.68%	14.90%	14.22%	5.43%	1.66%
Base Year Value	$ 689,090,229	$ 689,090,229	$685,571,701[3]	$680,707,692[3]	$ 680,707,692	$ 680,707,692
Incremental Value	$ 339,944,920	$ 418,984,525	$ 587,618,343	$ 773,466,820	$ 852,384,535	$ 877,859,019
Percentage Change in Incremental Value	18.99%	23.25%	40.25%	31.63%	10.20%	2.99%

Source: Fiscal Consultant's Report, Appendix A.

(1) Assessed values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).

(2) Based on information provided by the County of San Diego Auditor/Controller as indicated in "Report Val File-04 PSVVP70@".

(3) The base value was adjusted in FY 2002-03, FY 2006-2007, and FY 2007-2008.

Largest Taxpayers in the North Bay Redevelopment Project

The following table shows the ten largest taxpayers in the North Bay Redevelopment Project based on 2009-2010 assessed value.

TABLE 27
NORTH BAY REDEVELOPMENT PROJECT
Top Ten Taxpayers
Fiscal Year 2009-10

Owner	Land Use	No. of Parcels[1]	Total Secured Net Assessed Value[2]	Percent of Secured Total Net Value	Percent of Incremental Value
Morena Vista LLC[3]	Store Building	1	$59,469,794	4.10%	6.77%
MB Hotel Ventures LLC[4]	Hotel/Motel/Restaurant	8	42,863,347	2.96%	4.88%
Newport Taft Inc/Mansour Brothers Inc [5]	Hotel/Motel	1	23,691,467	1.63%	2.70%
Metropolitan Life Insurance Co	Garage/Parking Lot/Used Car Lot	13	23,565,060	1.63%	2.68%
P S Ivanhoe LLC	Store Building	1	21,828,000	1.51%	2.49%
Sports Arena Village LTD	Community Shopping Center	1	20,328,361	1.40%	2.32%
Ess Prisa LLC[6]	Industrial Storage - Bulk	1	19,768,322	1.36%	2.25%
Aladdin Parking LP	Garage/Parking Lot/Used Car Lot	1	17,599,691	1.21%	2.00%
Terminal Freight Handling Co[7]	Industrial/Warehouse	1	16,236,482	1.12%	1.85%
Lockheed Martin Corporation	Factory/Heavy Manufacturing/Garage/Parking Lot	3	15,292,860	1.05%	1.74%
Grand Total	**N/A**	**31**	$260,643,384	**17.98%**	**29.69%**

Source: Fiscal Consultant's Report, Appendix A.

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.

(2) Based on final FY 2009-2010 Assessor's Roll.

(3) As shown in the Appeals section, Morena Vista LLC contested that the value of its parcel should be reduced to $35,000,000. The appeal was resolved with the County reducing the value of the parcel to $52,500,000 after the FY 2009-10 Assessor's Roll was finalized. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

(4) As shown in the Appeals section, MB Hotel Ventures LLC contested the value of one parcel in FY 2007-2008 which resulted in a reduction in value of $59,000 after the FY 2009-2010 Assessor's Roll was finalized. In addition, MB Hotel Ventures LLC filed additional appeals contesting the values of the remaining 7 parcels should be reduced from $31,165,121 to $21,120,730. DTA has assumed the pending appeals are resolved in favor of the applicant at a rate of 90% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

(5) As shown in the Appeals section, Newport Taft Inc./Mansour Brothers Inc. contested that the value of its parcel should be reduced from $23,691,467 to $14,214,879. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 90% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

(6) As shown in the Appeals section, ESS Prisa LLC contested that the value of its parcel should be reduced from $19,768,322 to $15,631,549. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 90% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

(7) As shown in the Appeals section, Terminal Freight Handling Co filed an appeal under the name Sears Holdings Corporation contesting the value of its parcel should be reduced from $16,236,482 to $10,000,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 90% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

Recent Activity

Veterans Village of San Diego - Located along the Pacific Highway Corridor, the Veterans Village of San Diego is a $26 million rehabilitation center that will provide a place for homeless veterans to live and seek treatment, support, employment training, and counseling. Once completed, Veterans Village will completely replace the original 87-bed facility with a 320-bed facility and will provide state-of-the-art living and support facilities for veterans. The project is being developed in three phases. Phase I and Phase II have been completed with Phase III currently in construction. Phase III is scheduled to be completed in August 2010.

Mission Hills Gateway Project – Washington Street Improvements - The intersection of Washington and India Streets has strategic importance for the North Bay Redevelopment Area. The area has a prominent location that links four neighborhoods: Mission Hills, Old Town, Little Italy and Midway/Pacific Highway. With trolley access and a collection of popular restaurants, this area is becoming an active pedestrian

neighborhood. Yet currently, much of the streetscape is blighted and inadequate to support pedestrian activity. The Agency, in partnership with the City's Capital Improvement Program, will install median improvements on Washington Street between San Diego Avenue and India Street. The new median will include: trees, shrubs, irrigation, decorative pavers and other improvements. Completion is anticipated in summer 2010.

Morena Boulevard Façade Improvement Project - In partnership with the City of San Diego's Storefront Improvement Program (SIP), property and business owners along Morena Boulevard are able to improve the facades of their properties with additional assistance from the Redevelopment Agency.

SIP provides a rebate to business or property owners as an incentive to improve storefronts consistent with design standards for the commercial area. Property and business owners located along the Morena Boulevard Corridor can receive additional grant funds for improving their storefronts from the Redevelopment Agency. The Agency has recently received approval to expand the program to the entire Project Area.

LEED Recycling and Educational Center - This project will expand the Urban Corps of San Diego County's existing facility. The LEED Certified Recycling Education Center with a roof garden will house education and training programs directed at conserving and protecting the environment. The facility will be open to the community and offer classes that will teach business owners and others on how to implement a recycling and conservation program in the workplace.

Five Points Traffic Calming Project - This project will address infrastructure needs within the Five Points neighborhood by creating a safer environment. The improvements include pop-outs, ADA-compliant ramps, and traffic calming studies.

Clairemont Drive Median Project - This median project will promote traffic calming and streetscape beautification at the intersection of Clairemont Drive and Morena Boulevard.

YMCA - The Redevelopment Agency is contributing $575,000 to assist the Point Loma YMCA in a $6 million project to expand and improve their current facility.

Appeals in the North Bay Redevelopment Project

As of March 8, 2010, there were currently 74 appeal requests on record for fiscal year 2009-2010 with the County for the North Bay Redevelopment Project and 11 pending appeals for fiscal year 2008-2009, which along with resolved appeals not yet reflected on the assessment roll, the Fiscal Consultant estimates could decrease the North Bay Redevelopment Project assessed value by $34.8 million, or 2.3% of Project Area assessed valuation. Based on historical success rates the Fiscal Consultant has assumed that the resolution of the outstanding appeals will result in a 10% reduction of the total contested value on these parcels, on average, in the North Bay Redevelopment Project.

For specific information about pending and settled appeals in the North Bay Redevelopment Project see, "APPENDIX A – FISCAL CONSULTANT'S REPORT – Section II.G."

Historic Collections in the North Bay Redevelopment Project

The following tables shows actual tax receipts to the levy in the North Bay Redevelopment Project for the last six fiscal years.

TABLE 28
NORTH BAY REDEVELOPMENT PROJECT
Historic Receipts to Levy

Fiscal Year Ending:	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
I. Reported Assessed Value						
Total Project Value[1]	$974,771,983	$1,029,035,149	$1,108,074,754	$1,273,190,044	$1,454,174,512	$1,533,092,227
Less Base Value	689,090,229	689,090,229	689,090,229	680,707,692	680,707,692	680,707,692
Incremental Value	285,681,754	339,944,920	418,984,525	592,482,352	773,466,820	852,384,535
Tax Rate[2]	1.01177%	1.01080%	1.01020%	1.00970%	1.00950%	1.00930%
II. Gross Tax Increment	$ 2,890,442	$ 3,436,163	$ 4,232,582	$ 5,982,294	$ 7,808,148	$ 8,603,117
Unitary Revenue	2,872	2,908	2,925	4,111	17,512	18,029
County Administrative Expenses	(26,101)	(27,998)	(36,410)	(48,119)	(57,380)	(78,745)
Total Computed Levy	$ 2,867,213	$ 3,411,072	$ 4,199,097	$ 5,938,287	$ 7,768,280	$ 8,542,400
III. Total Receipts	$ 3,218,779	$ 3,857,335	$ 4,613,034	$ 7,222,032	$ 8,195,361	$ 8,811,501
Surplus (Shortfall)	351,566	446,262	413,937	1,283,745	427,081	269,100
% Difference of Computed Levy	112.26%	113.08	109.86%	121.62%	105.50%	103.15%

Source: Fiscal Consultant's Report, Appendix A.
(1) Based on total secured and unsecured value for the Project provided by the San Diego County Auditor/Controller.
(2) Based on rates for TRA 008-256.

The fiscal consultant sampled parcels within zip code 92110, which partially encompasses the North Bay Redevelopment Project, but includes areas outside of the project area. As of May 10, 2010, 404 properties had Notices of Default recorded with the County of San Diego, 551 residential properties were undergoing a Trustee's sale, and 519 residential properties were bank owned. Zip code 92110 encompasses 11,000 residential units, and there are 2,505 residential units in the North Bay Redevelopment Project.

Projection of Tax Revenues and Estimated Coverage

The following table details projected Tax Revenues in the North Bay Redevelopment Project. The projections start with fiscal year 2009-2010 and then utilize the following assumptions:

1. For purposes of the projection, fiscal year 2009-2010 is reduced to reflect actual and expected successful appeals in the North Bay Redevelopment Project.

2. Fiscal Years 2010-2011 and 2011-2012 have an assumed reduction of 1%.

3. There is assumed no change to value in Fiscal Year 2012-2013, and annual increase of 1% each year from 2013-2014 through 2018-2019, and an annual increase of 2% each year thereafter.

4. A 1.00% tax rate is used for each fiscal year after 2009-2010.

TABLE 29
NORTH BAY REDEVELOPMENT PROJECT
Projection of Tax Revenues

Fiscal Year Ending	Total Value	Incremental Value Over Base of $680,707,692[5]	Net Tax Increment Revenue	Housing Tax Increment Revenue
2009-10	$1,524,963,147	$844,255,455	$8,453,888	$1,690,778
2010-11	1,510,520,306	829,812,614	8,233,173	1,646,635
2011-12	1,496,221,894	815,514,202	8,091,619	1,618,324
2012-13	1,496,221,894	815,514,202	8,091,619	1,618,324
2013-14	1,510,377,322	829,669,630	8,231,758	1,646,352
2014-15	1,524,674,305	843,996,613	8,373,298	1,674,660
2015-16	1,539,114,257	858,406,565	8,516,254	1,703,251
2016-17	1,553,698,609	872,990,917	8,660,639	1,732,128
2017-18	1,568,428,804	887,721,112	8,806,468	1,761,294
2018-19	1,583,306,301	902,598,609	8,953,755	1,790,751
2019-20	1,613,358,845	932,651,153	9,251,275	1,850,255
2020-21	1,644,012,441	963,304,749	9,554,746	1,910,949
2021-22	1,675,279,108	994,571,416	9,864,286	1,972,857
2022-23	1,707,171,108	1,026,463,416	10,180,016	2,036,003
2023-24	1,739,700,949	1,058,993,257	10,502,062	2,100,412
2024-25	1,772,881,386	1,092,173,694	10,830,548	2,166,110
2025-26	1,806,725,432	1,126,017,740	11,165,604	2,233,121
2026-27	1,841,246,359	1,160,538,667	11,507,361	2,301,472
2027-28	1,876,457,705	1,195,750,013	11,855,954	2,371,191
2028-29	1,912,373,277	1,231,665,585	12,211,518	2,442,304
2029-30	1,949,007,161	1,268,299,469	12,574,193	2,514,839
2030-31	1,986,373,723	1,305,666,031	12,944,122	2,588,824
2031-32	2,024,487,615	1,343,779,923	13,321,450	2,664,290
2032-33	2,063,363,786	1,382,656,094	13,706,324	2,741,265
2033-34	2,103,017,480	1,422,309,788	14,098,895	2,819,779
2034-35	2,143,464,248	1,462,756,556	14,499,318	2,899,864
2035-36	2,184,719,951	1,504,012,259	14,907,750	2,981,550
2036-37	2,226,800,769	1,546,093,077	15,324,350	3,064,870
2037-38	2,269,723,202	1,589,015,510	15,749,282	3,149,856
2038-39	2,313,504,085	1,632,796,393	16,182,713	3,236,543
2039-40	2,358,160,585	1,677,452,893	16,624,812	3,324,962
2040-41	2,403,710,215	1,723,002,523	17,075,754	3,415,151
2041-42	2,450,170,837	1,769,463,145	17,535,714	3,507,143
2042-43	2,497,560,673	1,816,852,981	18,004,873	3,600,975
2043-44	2,545,898,304	1,885,190,612	18,483,416	3,696,683

Source: Fiscal Consultant's Report, Appendix A.

NORTH PARK REDEVELOPMENT PROJECT

General

The North Park Redevelopment Project, encompasses 555 acres of land, and is located five miles from downtown San Diego and adjacent to the City's Balboa Park. The North Park Redevelopment Project is bounded by Interstate 805 to the east and Park Boulevard to the west, and stretches as far north as Adams Avenue and as far south as Thorn Street. A hub of activity, the area in which the North Park Redevelopment Project is located is host to the City's second busiest transit interchange and is within miles of 11 other central San Diego communities. Land uses in the North Park Redevelopment Project include commercial, residential, retail, light manufacturing, and public right-of-way.

The objectives of the Redevelopment Plan include enhancement of the positive characteristics of the neighborhoods and promotion of new projects within the North Park Redevelopment Project. Agency activities in the North Park Redevelopment Project focus on expanding housing and employment opportunities, transit and infrastructure improvements, as well as neighborhood revitalization and beautification. Current development objectives include the revitalization of deteriorated commercial corridors, the provision of quality market-rate and affordable housing opportunities, and the preservation of the historic character of commercial and residential districts.

The Redevelopment Plan was adopted in 1997 pursuant to Ordinance No. O-18386 and has been amended once. The following table shows the adoption and amendment history of the Redevelopment Plan.

NORTH PARK REDEVELOPMENT PROJECT
REDEVELOPMENT PLAN HISTORY

Action	Ordinance No.	Date	Purpose
Original Adoption	18386-N.S.	March 4, 1997	Redevelopment Plan adoption
Amendment 1	19515-N.S.	July 18, 2006	Extended the effectiveness of the Redevelopment Plan and the last date to receive tax increment revenues by one year

The Agency currently is processing an additional amendment to the Redevelopment Plan to extend the time limitation on its ability to exercise the power of eminent domain within the North Park Redevelopment Project from March 2009 to March 2021, and to increase the amount of bonded indebtedness that may be outstanding for the North Park Redevelopment Project. No assurance can be given that the processing of any such amendment will be completed, or that the Agency will not process other amendments to the Redevelopment Plan as may be permitted under the Redevelopment Law.

Provisions of the Redevelopment Law and the Redevelopment Plan establish various time limits for undertaking redevelopment activities and for repaying debt incurred to finance redevelopment projects. These time limits for the North Park Redevelopment Project are set forth in the table below.

NORTH PARK REDEVELOPMENT PROJECT
REDEVELOPMENT PLAN LIMITATIONS

Plan Life	March 4, 2028
Last Date to Incur Debt	March 4, 2017
Last Date to Repay Debt	March 4, 2043
Last Date to Receive Tax Increment	March 4, 2043
Limit on Outstanding Bonded Indebtedness	$53,000,000
Limitation on Use of Eminent Domain	March 4, 2009

The Agency currently may not receive, and may not repay indebtedness with the proceeds from property taxes received pursuant to Section 33670 of the Redevelopment Law and the Redevelopment Plan, beyond the respective dates for the North Park Redevelopment Project indicated in the table above, except to repay debt to be paid from the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Redevelopment Law and the Redevelopment Plan, or debt established in order to fulfill the Agency's obligations under Section 33413 of the Redevelopment Law and the Redevelopment Plan, or certain refunding debt. Immediately following the issuance of the 2010 Bonds, the Agency will have [$43,670,000] of bonded indebtedness outstanding for the North Park Redevelopment Project. As stated above, the Agency is in the process of amending the Redevelopment Plan to extend the time limit for the Agency to acquire property through eminent domain to March 2021, and to increase the limit on outstanding bonded indebtedness.

Senior Lien on Tax Revenues

The Agency currently has certain outstanding bonds that have a lien on Tax Revenues senior to the lien securing the Bonds, which are referenced in the definition of Tax Revenues above. Outstanding senior lien debt includes the Agency's North Park Redevelopment Project Tax Allocation Bonds, Series 2000, issued on October 25, 2000 in the initial principal amount of $7,000,000, of which $5,890,000 is outstanding, the Agency's North Park Redevelopment Project 2003 Tax Allocation Bonds, Series A (Taxable), issued on December17, 2003 in the initial principal amount of $7,145,000, of which $5,845,000 is outstanding, the Agency's North Park Redevelopment Project 2003 Tax Allocation Bonds, Series B (Tax-Exempt), issued on December 17, 2003 in the initial principal amount of $5,360,000, of which $5,360,000 is outstanding (collectively, the "Outstanding Senior Bonds"). Under the Indenture, the Agency has covenanted not to issue any additional senior lien debt with a pledge of housing set-aside tax increment from the North Park Redevelopment Project prior to the pledge of Tax Revenues under the Indenture. A portion of the debt service on the Outstanding Senior Bonds is payable from tax increment revenues from the North Park Redevelopment Project to be deposited to the Low and

Moderate Income Housing Fund of the Agency (the "Low and Moderate Income Housing Funds"), which Low and Moderate Income Housing Funds are pledged to the payment of the Bonds. See "SECURITY FOR THE BONDS—Senior Lien on Tax Revenues."

The Agency used approximately twenty-four and one-half percent (24.5%) of the proceeds of the 2000 Bonds for housing purposes, and the Agency used approximately forty one and one-tenth percent (41.1%) of the proceeds of the 2003A Bonds for housing purposes. No proceeds of the 2003B Bonds were used for housing purposes. Under the Redevelopment Law, the Agency may pay that portion of the scheduled debt service on the 2000 Bonds and the 2003A Bonds attributable to the proceeds of such bonds used for housing purposes (or a total of twenty-four percent (24.0%) of the combined debt service on the Outstanding Senior Bonds) from funds required to be deposited to the Agency's Low and Moderate Income Housing Fund. The maximum annual debt service on the Outstanding Senior Bonds payable in the current or any future Bond Year, after deducting the portion of the debt service on the Outstanding Senior Bonds that the Agency intends to pay from Low and Moderate Income Housing Funds is $1,295,206.

Other Obligations of the North Park Redevelopment Project

On April 13, 2004, the Agency entered into a Disposition and Development Agreement (the "DDA") with Western Pacific Housing, Inc. (the "Developer") for the development of approximately 2.06 acres of land (the "Site") in the Redevelopment Project. Pursuant to the DDA, the Agency is required to repay the Developer $900,000 for costs incurred by the Developer for the construction and installation of certain public improvements (the "Public Improvement Component") and $2,100,000 for costs incurred by the Developer to provide affordable housing on the Site (the "Affordability Component"). The Developer has annulled the $900,000 Agency obligation for the Public Improvement Component as it did not pay prevailing wage for the improvements. Under the DDA, a calculation was required to determine if the Agency obligation for the Affordability Component should be reduced due to profits from the sale of market rate condominiums exceeding a set threshold. As a result of the required calculation, the Affordability Component has been reduced to $1,128,121, plus accrued interest from March 9, 2010. The Agency made an initial payment of $113,341 in April 2010. The Agency will use a portion of the proceeds of the Bonds to pay to the Developer the $1,030,905 balance of the Affordability Component. The Agency's payment obligations under the DDA are subordinate to its obligations to repay the Outstanding Senior Bonds and the Bonds.

In 2009, the Agency issued its $13,930,000 Tax Allocation Bonds (the "2009 Bonds") which are outstanding as of June 30, 2010, have an outstanding balance of $13,930,000. The 2009 Bonds are payable from non-housing tax increment.

On July 26, 2007, as amended July, 2010, the Agency entered into a Credit Agreement with San Diego National Bank, which provided for a $7,300,000 line of credit to the Agency, with repayment secured by a pledge by the Agency of housing tax increment revenues from the North Park Redevelopment Project. The line of credit had a term of three-years, and required quarterly interest payments beginning October 5, 2007. The Agency has drawn the full $7,300,000 from the line of credit and has used the funds for the North Park Housing Enhancement Loan Program; and to pay for costs related to the Los Vientos affordable housing project in the Barrio Logan Project Area, the Boulevard Apartments affordable housing project in the North Park Redevelopment Project, and the Verbena affordable housing project in the San Ysidro Project Area. The Agency anticipates that this line of credit will be paid in full with the proceeds of the 2010 Bonds.

The Agency also has loans and debt to the City which is related to both CDBG and non-CDBG money. See "THE REDEVELOPMENT PROJECT AREAS – CDBG Related Agency Debt to the City," and "- Non-CDBG Related Agency Debt to the City," herein.

Land Use in the North Park Redevelopment Project

The following table shows the land use in the North Park Redevelopment Project, based on fiscal year 2009-2010 assessed valuation.

TABLE 30
NORTH PARK REDEVELOPMENT PROJECT
Assessed Value by Land Use
Fiscal Year 2009-10

Land Use[1]	No. of Parcels[1]	Secured Total Net Assessed Value[2]	% of Total Net Assessed Value
Residential Property			
Vacant Residential	15	$ 1,014,295	0.09%
Single-Family Residential	556	124,873,665	11.23%
Multi-Family Residential	818	412,313,086	37.10%
Condominium	1,395	282,222,203	25.39%
Miscellaneous	1	126	0.00%
Subtotal	2,785	$ 820,423,375	73.81%
Commercial Property			
Office Space	378	$ 172,425,234	15.51%
Retail	51	55,411,221	4.99%
Vacant Land	32	7,145,531	0.64%
Other Uses	54	37,248,727	3.35%
Subtotal	515	$ 272,230,713	24.49%
Industrial Property	23	6,740,320	0.61%
Institutional Property	21	9,636,076	0.87%
Recreational Property	3	537,681	0.05%
Miscellaneous Use	12	1,909,471	0.17%
Total	3,359	$1,111,477,636	100.00%

Source: Fiscal Consultant's Report, Appendix A.

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.

(2) Assessed values provided by the County Assessor as of 1/1/09.

Historic Assessed Valuation

The following table shows a six year history of assessed valuation in the North Park Redevelopment Project which has a base year valuation of $423,551,030.

TABLE 31
NORTH PARK REDEVELOPMENT PROJECT
Historic Assessed Valuation

	FY 2004-2005 Taxable Value	FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	FY 2008-2009 Taxable Value	FY 2009-2010 Taxable Value
Secured Values[1] [2]						
Land	$328,786,859	$416,522,646	$488,002,024	$ 583,794,621	$ 627,803,657	$ 605,817,982
Improvement	377,598,097	411,121,443	464,133,877	543,836,646	549,805,774	543,408,736
Personal Property	1,034,585	1,345,318	1,263,082	2,284,650	2,134,494	2,083,547
Gross Value	$707,419,541	828,989,407	953,398,983	1,129,915,917	1,179,743,925	1,151,310,265
Less Exemptions	(12,535,963)	(13,282,156)	(14,545,386)	(15,104,908)	(28,172,859)	(30,893,629)
Total Secured	$694,883,578	$815,707,251	$938,853,597	$1,114,811,009	$1,151,571,066	$1,120,416,636
Unsecured Values[2]						
Land	0	0	0	0	0	0
Improvement	5,973,344	5,822,960	5,848,373	5,798,817	6,114,373	7,865,765
Personal Property	11,613,698	11,144,665	12,097,153	12,972,017	12,338,763	12,394,902
Gross Value	$ 17,587,042	$ 16,967,625	$ 17,945,526	$ 18,770,834	$ 18,453,136	$20,260,667
Less Exemptions	(701,121)	(655,788)	(656,536)	(1,610,655)	(1,294,381)	(1,192,506)
Total Unsecured	$ 16,885,921	$ 16,311,837	$ 17,288,990	$ 17,160,179	$ 17,158,755	$ 19,068,161
Total Secured and Unsecured	$711,769,499	$832,019,088	$956,142,587	$1,131,971,188	$1,168,729,821	$1,139,484,797
Percentage Change in Total Value	11.78%	16.89%	14.92%	18.39%	3.25%	-2.50%
Base Year Value	$423,551,030	$423,551,030	$423,551,030	$ 423,551,030	$ 423,551,030	$ 423,551,030
Incremental Value	$288,218,469	$408,468,058	$532,591,557	$ 708,420,158	$ 745,178,791	$ 715,933,767
Percentage Change in Incremental Value	35.17	41.72%	30.39%	33.01%	5.19%	-3.92%

Source: Fiscal Consultant's Report, Appendix A.
(1) Based on information provided by the County of San Diego Auditor/Controller.
(2) Base values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/08 for FY 2008-2009).

Largest Taxpayers in the North Park Redevelopment Project

The following table shows the largest taxpayers in the North Park Redevelopment Project based on 2009-2010 assessed value.

TABLE 32
NORTH PARK REDEVELOPMENT PROJECT AREAS
Top Ten Taxpayers
Fiscal Year 2009-10

Owner	Land Use	No. of Parcels[1]	Total Secured Net Assessed Value[2]	Percent of Secured Total Net Value	Percent of Incremental Value[2]
Hampstead Lafayette Hotel LLC	Hotel/Motel	1	$12,638,046	1.14%	1.77%
Arbor Terrace	Multi-Family Residential	8	$10,838,240	0.98%	1.51%
Rancho-Sunrise Hotel Corporation	Store Building, Garage/Parking Lot/Used Car Lot, Vacant Commercial	5	$10,632,884	0.96%	1.49%
American Stores Company LLC	Grocery/Drug Store	1	$8,383,543	0.75%	1.17%
Garfield Beach CVS LLC & 9141 San Diego CA-CM LP	Grocery/Drug Store	1	$8,219,160	0.74%	1.15%
Vons Companies Inc	Grocery/Drug Store	1	$6,778,108	0.61%	0.95%
McEwen Otay LLC & Wiesner Carol B Trust 02-21-95	Store Building	1	$6,614,700	0.60%	0.92%
NPW 2930 LLC	Store Building, Vacant Commercial	2	$6,431,100	0.58%	0.90%
Ventas Realty LP	Hospital	1	$5,873,539	0.53%	0.82%
Hamlin Family Trust 04-19-00	Multi-Family Residential	3	$5,804,940	0.52%	0.81%
Grand Total	**N/A**	**24**	**$82,214,260**	**7.40%**	**11.48%**

Source: Fiscal Consultant's Report, Appendix A.
(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.
(2) Assessed values provided by the County Assessor as of 1/1/09.

Recent Activity

Boulevard Apartments - The Boulevard Apartments are located at 3133-3137 El Cajon Boulevard, on the south side of El Cajon Boulevard between Iowa Street and Illinois Street, two blocks west of the Interstate 805 freeway. The project was completed in 2009 and provides a total of 24 affordable housing units, approximately 2,000-square-feet of commercial space, and a 17-space parking garage on a 0.24-acre site.

The Renaissance at North Park - The Renaissance at North Park is a $32 million mixed-use development project that provides 108 units of affordable housing, with additional components consisting of commercial space, parking, community facilities, and 24 market-rate town homes. The first phase of the project was completed in September 2006. The final phase, 24 town homes on Kansas Street, was completed in January 2007.

La Boheme - Western Pacific Housing, a D.R. Horton Company, developed a $62 million, 224-unit residential condominium project located south of Lincoln Avenue between 30th Street and Ohio Street. This project includes 15,600 square feet of ground-level commercial space. Additionally, 45 of the residential units were purchased by moderate-income households. The project was completed in October 2006.

North Park Theatre - The North Park Theatre, a cornerstone of the community since 1928, was rehabilitated and is once again a live performance venue, which reopened in October 2005. The renovation included interior and exterior restoration, installation of state-of-the-art production facilities and a new theatre entrance and marquee. The total cost for the theatre project was approximately $12 million.

North Park Public Parking Garage - The $14 million North Park Public Parking Garage is a mixed-use facility providing 388 parking spaces in five levels. The structure, conveniently located in the heart of North Park, also features nearly 15,000 square feet of retail space and supports the success of the North Park Theatre Redevelopment Project. The facility was completed in February 2006.

Housing Enhancement Loan Program - The North Park Redevelopment Housing Enhancement Loan Program (HELP) provides forgivable loans to help low- and moderate-income owner-occupants within the North Park community repair and improve their homes.

North Park Mini-park and Streetscape Improvements – Funding in the amount of $125,000 from the Project Area has been allocated for the design of a mini-park on Agency owned property behind the North Park Theatre.

North Park Public Parking Garage Public Art Project – The Agency formed a committee to solicit artist submissions for artwork that will be replicated as sixteen large scale banners and installed on the parking garage. The banners will be installed in the fall of 2010.

Pathfinders of San Diego – The Agency provided $2.0 million pursuant to an Owner Participation Agreement with Pathfinders of San Diego for the rehabilitation of a former blighted motel property for an 18 unit permanent supportive housing rental project on University Avenue between Villa Street and Pershing Street. Construction is anticipated to be finished by August 2010.

Florida Street Apartments – The Agency is providing a $3.8 million residual receipts loan pursuant to an Owner Participation Agreement with Community Housing Works for the development of an 83-unit affordable rental project on Florida Street just south of University Avenue. Demolition of the site was finished in May 2010. Development of the project is pending an award of 9% low-income housing tax credits.

Lafayette Hotel – The Agency is providing a $2.45 million forgivable loan to the owners of the historic Lafayette Hotel on El Cajon Boulevard for a $4.1 million rehabilitation of the 131 room hotel. The rehabilitation is anticipated to be complete by June 2011. The work will be done in phases, allowing the hotel to remain open in the interim.

Commercial Property Acquisition – The Agency is in discussions with owners of a 15,000 square foot building at 3067 University Avenue for the Agency to purchase the building and issue a request for proposals for the redevelopment of the site. No specific timeline for this project has been established.

A market study was initiated to evaluate potential redevelopment/rehabilitation opportunities for property on the south side of University Avenue between Grim Avenue and 31st Street.

Appeals in the North Park Redevelopment Project

As of March 8, 2010, there were currently 98 appeal requests on record with the County for fiscal year 2009-2010 for the North Park Redevelopment Project and 64 pending appeals for fiscal year 2008-2009, which along with resolved appeals not yet reflected on the assessment roll, the Fiscal Consultant estimates could decrease the North Park Redevelopment Project assessed value by $26.5 million or 2.3% of Project Area assessed valuation. Based on historical success rates the Fiscal Consultant has assumed that the resolution of the outstanding appeals will result in a 14% reduction of the total contested value on these parcels, on average, in the North Park Redevelopment Project.

For specific information about pending and settled appeals in the North Park Redevelopment Project see, "APPENDIX A – FISCAL CONSULTANT'S REPORT – Section II.G."

Historic Collections in the Redevelopment Project

The following table shows actual receipts to the levy in the North Park Redevelopment Project for the last six fiscal years.

TABLE 33
NORTH PARK REDEVELOPMENT PROJECT
Historic Receipts to Levy

Fiscal Year Ending:	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
I. Reported Assessed Value						
Total Project Value[1]	$636,771,272	$711,769,499	$832,019,088	$956,142,587	$1,131,971,188	$1,168,729,821
Less Base Value	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030
Incremental Value	213,220,242	288,218,469	408,468,058	532,591,557	708,420,158	745,178,791
Tax Rate	1.01177%	1.11827%	1.11250%	1.00970%	1.00950%	1.00930%
II. Gross Tax Increment	$ 2,157,298	$ 3,223,061	$ 4,544,207	$ 5,377,577	$ 7,151,501	$ 7,521,090
Unitary Revenue	1,594	1,614	1,623	2,755	14,881	15,334
County Administrative Expenses	(14,551)	(28,136)	(35,460)	(43,559)	(52,451)	(68,719)
Total Computed Levy	$ 2,144,341	$ 3,196,538	$ 4,510,370	$ 5,336,773	$ 7,113,932	$ 7,467,705
III. Total Receipts	$ 2,610,446	$ 3,711,294	$ 4,889,797	$ 5,860,397	$ 7,930,701	$ 7,671,766
Surplus (Shortfall)	$ 466,106	$ 514,756	$ 379,427	$ 523,624	$ 816,769	$ 204,061
% Difference of Computed Levy[2]	121.74%	116.10%	108.41%	109.81%	111.48%	102.73%

Source: Fiscal Consultant's Report.

(1) Based on total secured and unsecured value for the Project provided by the San Diego County Auditor/Controller as of 1/1/ of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).

(2) Actual receipts collected often exceed the amount levied due to penalties and interest collected by the Agency.

The fiscal consultant sampled parcels within zip code 92104, which encompasses the majority of the North Park Redevelopment Project, but includes other areas. As of May 13, 2010, 455 residential properties had Notices of Default recorded with the County of San Diego, 638 residential properties were undergoing a trustee's sale, and 833 residential properties were bank owned. There are over 22,000 residential units in zip code 92104, and there are approximately 6,903 residential units in the North Park Redevelopment Project.

Projection of Tax Revenues and Estimated Coverage

The following table details projected Tax Revenues in the North Park Redevelopment Project. The projections start with fiscal year 2009-2010 and then utilize the following assumptions:

1. For purposes of the projection, fiscal year 2009-2010 is reduced to reflect actual and expected successful appeals in the North Park Redevelopment Project.

2. Fiscal Years 2010-2011 and 2011-2012 have an assumed reduction of 3% and 2% respectively.

3. There is assumed no change to value in Fiscal Year 2012-2013, an annual increase of 1% each year 2013-2014 through 2018-2019, and an annual increase of 2% each year thereafter.

4. A 1.00% tax rate is used for each fiscal year after 2009-2010.

TABLE 34
NORTH PARK REDEVELOPMENT PROJECT
Projection of Tax Revenues

Fiscal Year Ending	Total Value	Incremental Value Over Base of $423,551,030	Net Tax Increment Revenue	Low/Moderate Income Housing Set-Aside Revenue
2009-10	$1,109,312,600	$685,761,570	$6,867,512	$1,373,502
2010-11	1,075,327,724	651,776,694	6,467,924	1,293,585
2011-12	1,049,951,604	626,400,574	6,216,700	1,243,340
2012-13	1,049,951,604	626,400,574	6,216,700	1,243,340
2013-14	1,060,318,260	636,767,230	6,319,330	1,263,866
2014-15	1,070,788,583	647,237,553	6,422,986	1,284,597
2015-16	1,081,363,610	657,812,580	6,527,679	1,305,536
2016-17	1,092,044,387	668,493,357	6,633,419	1,326,684
2017-18	1,102,831,971	679,280,941	6,740,216	1,348,043
2018-19	1,113,727,431	690,176,401	6,848,081	1,369,616
2019-20	1,135,736,261	712,185,231	7,065,968	1,413,194
2020-21	1,158,185,267	734,634,237	7,288,213	1,457,643
2021-22	1,181,083,254	757,532,224	7,514,903	1,502,981
2022-23	1,204,439,200	780,888,170	7,746,127	1,549,225
2023-24	1,228,262,265	804,711,235	7,981,976	1,596,395
2024-25	1,252,561,792	829,010,762	8,222,541	1,644,508
2025-26	1,277,347,309	853,796,279	8,467,918	1,693,584
2026-27	1,302,628,536	879,077,506	8,718,202	1,743,640
2027-28	1,328,415,388	904,864,358	8,973,492	1,794,698
2028-29	1,354,717,977	931,166,947	9,233,887	1,846,777
2029-30	1,381,546,617	957,995,587	9,499,491	1,899,898
2030-31	1,408,911,831	985,360,801	9,770,406	1,954,081
2031-32	1,436,824,349	1,013,273,319	10,046,740	2,009,348
2032-33	1,465,295,117	1,041,744,087	10,328,601	2,065,720
2033-34	1,494,335,300	1,070,784,270	10,616,099	2,123,220
2034-35	1,523,956,287	1,100,405,257	10,909,346	2,181,869
2035-36	1,554,169,694	1,130,618,664	11,208,459	2,241,692
2036-37	1,584,987,369	1,161,436,339	11,513,554	2,302,711
2037-38	1,616,421,398	1,192,870,368	11,824,751	2,364,950
2038-39	1,648,484,107	1,224,933,077	12,142,172	2,428,434
2039-40	1,681,188,070	1,257,637,040	12,465,941	2,493,188
2040-41	1,714,546,113	1,290,995,083	12,796,186	2,559,237
2041-42	1,748,571,316	1,325,020,286	13,133,035	2,626,607
2042-43	1,783,277,024	1,359,725,994	13,476,622	2,695,324

Source: Fiscal Consultant's Report, Appendix A.

SAN YSIDRO REDEVELOPMENT PROJECT

General

The 766-acre San Ysidro Redevelopment Project was established to create a world-class gateway between the cities of San Diego and Tijuana. The San Ysidro Redevelopment Project is within the community of San Ysidro, which is connected to the rest of the City of San Diego by a strip of land under the San Diego Bay and two freeways, Interstates 5 and 805. The San Ysidro Redevelopment Project is located on the United States-Mexico border where Interstates 5 and 805 merge, and it includes the area generally bounded by Del Sur Boulevard and Caithness Drive to the north, East Beyer Boulevard to the east, the Tijuana River levee to the west, and Mexico to the south. The San Ysidro Redevelopment Project consists of primarily residential and commercial land uses with some light industrial warehouse uses. The focus of San Ysidro Redevelopment Project activity is the redevelopment of a vital business district, attracting new businesses to the area, and promoting tourism.

The Redevelopment Plan was adopted in 1996 and amended once since its original adoption. The following table shows the history of the Redevelopment Plan adoption and the subsequent amendments to the Redevelopment Plan.

SAN YSIDRO REDEVELOPMENT PLAN
REDEVELOPMENT PLAN HISTORY

Action	Ordinance No.	Date	Purpose
Original Adoption	18295-N.S.	April 6, 1996	Establish San Ysidro Redevelopment Project and adopt Plan
Amendment 1	19576-N.S.	July 18, 2006	Extended the effectiveness of the Redevelopment Plan and the last date to receive tax increment revenues by one year

The Agency is preparing an additional amendment to the Redevelopment Plan to extend the time limitation on its ability to exercise the power of eminent domain within the San Ysidro Redevelopment Project for an additional twelve years. The proposed amendment will be presented to the City Council for adoption in late 2010.

Provisions of the Redevelopment Law and the redevelopment Plan establish various time limits for undertaking redevelopment activities and for repaying debt incurred to finance redevelopment projects. These time limits for the San Ysidro Redevelopment Project arte set forth in the table below

SAN YSIDRO REDEVELOPMENT PROJECT
REDEVELOPMENT PLAN LIMITATIONS

Plan Life	April 16, 2027
Last Date to Incur Debt	April 16, 2016
Last Date to Repay Debt	April 16, 2042
Last Date to Receive Tax Increment	April 16, 2042
Limit on Outstanding Bonded Indebtedness	$75,000,000
Limitation on Use of Eminent Domain	April 16, 2008

The Agency currently may not receive, and may not repay indebtedness with the proceeds from property taxes received pursuant to Section 33670 of the Redevelopment Law and the Redevelopment Plan, beyond the respective dates for the San Ysidro Redevelopment Project indicated in the table above, except to repay debt to be paid from the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Redevelopment Law and the Redevelopment Plan, or debt established in order to fulfill the Agency's obligations under Section 33413 of the Redevelopment Law and the Redevelopment Plan, or certain refunding debt. Immediately following the issuance of the 2010 Bonds, the Agency will have $_____ of bonded indebtedness outstanding for the San Ysidro Redevelopment Project.

Other Obligations of the San Ysidro Redevelopment Project

The Agency has loans and debt to the City which is related to both CDBG and non-CDBG money. See "THE REDEVELOPMENT PROJECT AREAS – CDBG Related Agency Debt to the City," and "- Non-CDBG Related Agency Debt to the City," herein.

Land Use in the San Ysidro Redevelopment Project

The following tables show the land use in the San Ysidro Redevelopment Project, based on fiscal year 2009-2010 assessed valuation.

TABLE 35
SAN YSIDRO REDEVELOPMENT PROJECT
Assessed Value by Land Use
Fiscal Year 2009-10

Land Use[1]	No. of Parcels[1]	Secured Total Net Assessed Value[2]	Percent of Net Assessed Value
Residential Property			
Vacant Residential	121	$ 17,103,411	2.48%
Single-Family Residential	296	49,612,866	7.19%
Manufactured Home	1	180,929	0.03%
Multi-Family Residential	349	120,569,164	17.48%
Miscellaneous	5	394,490	0.06%
Subtotal	772	$187,860,860	27.24%
Commercial Property			
Office Space	75	$ 93,898,156	13.62%
Retail	28	330,427,735	47.92%
Vacant Land	29	9,259,858	1.34%
Other Uses	41	60,079,002	8.71%
Subtotal	173	$493,664,751	71.59%
Industrial Property	10	2,088,741	0.30%
Farm/Rural Land	1	23,840	0.00%
Institutional Property	12	2,110,738	0.31%
Miscellaneous Use	1	3,816,505	0.55%
Total	969	$689,565,435	100.00%

Source: Fiscal Consultant's Report, Appendix A.

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.

(2) Based on final FY 2009-2010 Assessor's Roll.

Historic Assessed Valuation

The following table shows a six year history of assessed valuation in the San Ysidro Redevelopment Project which has a base year valuation of $200,636,959.

TABLE 36
SAN YSIDRO REDEVELOPMENT PROJECT
Historic Assessed Valuation

	FY 2004-2005 Taxable Value	FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	FY 2008-2009 Taxable Value	FY 2009-2010 Taxable Value
Secured Values[1] [2]						
Land	$157,533,422	$204,199,595	$253,020,268	$267,629,952	$327,176,042	$321,720,277
Improvement	249,709,274	286,116,018	326,702,460	339,712,959	475,127,217	483,313,046
Personal Property	345,439	599,434	550,990	613,815	405,069	382,096
Gross Value	$407,588,135	$490,915,047	$580,273,718	$607,956,726	$802,708,328	$805,415,419
Less Exemptions	(56,516,593)	(58,098,604)	(59,213,664)	(60,703,915)	(61,189,583)	(113,868,984)
Total Secured	$351,071,542	$432,816,443	$521,060,054	$547,252,811	$741,518,745	$691,546,435
Unsecured Values[2]						
Land	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Improvement	11,367,720	11,132,887	14,517,651	16,537,607	16,130,120	17,377,593
Personal Property	14,960,999	14,085,654	18,474,788	19,102,677	20,231,093	21,490,786
Gross Value	$ 26,328,719	$ 25,218,541	$ 32,992,439	$ 35,640,284	$ 36,361,213	$ 38,868,379
Less Exemptions	(1,439,014)	(685,990)	(1,626,275)	(1,553,239)	(1,241,615)	(1,619,913)
Total Unsecured	$ 24,889,705	$ 24,532,551	$ 31,366,164	$ 34,087,045	$ 35,119,598	$ 37,248,466
Total Secured and Unsecured	$375,961,247	$457,348,994	$552,426,218	$581,339,856	$776,638,343	$728,794,901
Percentage Change in Total Value	8.55%	21.65%	20.79%	5.23%	33.59%	-6.16%
Base Year Value	$200,636,959	$200,636,959	$200,636,959	$200,636,959	$200,636,959	$200,636,959
Incremental Value	$175,324,288	$256,712,035	$351,789,259	$380,702,897	$576,001,384	$528,157,942
Percentage Change in Incremental Value	20.33%	46.42%	37.04%	8.22%	51.30%	-8.31%

Source: Fiscal Consultant's Report, Appendix A.
(1) Assessed values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
(2) Based on information provided by the County of San Diego Auditor/Controller.

Largest Taxpayers in the San Ysidro Redevelopment Project

The following table shows the largest taxpayers in the San Ysidro Redevelopment Project based on 2009-2010 assessed value.

TABLE 37
SAN YSIDRO REDEVELOPMENT PROJECT
Top Ten Taxpayers
Fiscal Year 2009-10

Owner[1]	Land Use	No. of Parcels[1]	Secured Total Net Assessed Value[2]	Percent of Secured Total Net Value	Percent of Incremental Value[2]
Chelsea San Diego Finance LLC[3][4]	Retail	9	$288,868,848	41.89%	54.69%
FS San Ysidro[5]	Retail	5	$34,834,740	5.05%	6.60%
Border Station Partners LP	Garage/Parking Lot/Used Car Lot	1	$12,750,000	1.85%	2.41%
SYG Venture[6]	Garage/Parking Lot/Used Car Lot	3	$12,293,383	1.78%	2.33%
Project Bay Exchange LLC/FS San Ysidro LLC	Store Building	1	$11,040,806	1.60%	2.09%
Barratt American Inc.[7]	Vacant Residential	1	$10,083,512	1.46%	1.91%
Border Properties LTD	Retail	4	$7,706,566	1.12%	1.46%
Sotal Ocotillo Inc.	Hotel/Motel	2	$7,344,000	1.07%	1.39%
Prebys Conrad Trust 12-17-1982	Multi-Family Residential	2	$6,418,403	0.93%	1.22%
Ueta of California/SYG Venture[6]	Store Building	1	5,490,251	0.80%	1.04%
Grand Total	N/A	**29**	**$396,830,509**	**0.80%**	**75.13%**

Source: Fiscal Consultant's Report.

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-2010 Assessor's Roll.

(2) Based on final FY 2009-2010 Assessor's Roll.

(3) Includes parcels that are leased to other entities based on the FY 2009-2010 Assessor's Roll. Based on delinquency data provided by the County, all of the FY 2009-2010 property taxes for parcels owned by Chelsea San Diego Finance LLC have been paid in full.

(4) As shown in the Appeals section, Chelsea San Diego Finance LLC contested the value of two parcels in FY 2008-2009 which resulted in a reduction in value of $12,205,000 after the FY 2009-2010 Assessor's Roll was finalized. In addition, Chelsea San Diego Finance LLC filed an additional appeal to further reduce the value of one of the two parcels mentioned above. DTA has assumed the appeal is resolved in favor of the applicant with a reduction of $12,703,488, which equals 92% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

(5) As shown in the Appeals section, FS San Ysidro LLC contests that the value of 3 of its 5 parcels should be reduced by $4,324,822. For purposes of this analysis, DTA has assumed the appeal is resolved in favor of the applicant with a reduction of $1,585,986, which equals 92% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

(6) The parcels owned by SYG Venture and Ueta of California/SYG Venture are within the GSA Border Reconfiguration Project and will be removed from the project area starting in FY 2010-2011 as shown in the tax increment projections herein.

(7) The parcel owned by Barratt American Inc. will be used for affordable housing and became tax-exempt during FY 2009-2010. The tax-exempt status for the parcel has been reflected in the tax increment projections herein.

Las Americas – The Shops at Las Americas is a premium outlet mall located just west of Interstate 5, adjacent to the United States/Mexico border. Las Americas' owners, Chelsea San Diego Finance LLC, is the largest taxpayer in the San Ysidro Redevelopment Project, having almost 42% of the total value. The Shops at Las Americas consists of a 67-acre mixed use project which has the support of the city, state, and federal governments in both the United States and Mexico. The Las Americas project has used innovative public/private partnerships of international significance. To date, over 559,000 square feet of retail space has been developed and has an assessed value of just under $300 million. There are over 120 retail lessees in Las Americas with triple-net leases. The Redevelopment Agency is currently working on new project proposals to develop the remaining east and west parcels. The east parcel is proposed to include the development of approximately 135,000 square feet of retail space, including associated parking. The west parcel expansion is proposed to include approximately 100,000 square of retail, including associated parking.

Recent Activity

Proposed Second Amendment to the San Ysidro Redevelopment Plan – The Agency has completed the necessary blight study, environmental secondary study, and draft Report to City Council for the proposed San Ysidro Plan Amendment to extend the limitation on the Agency's eminent domain authority for another 12 years.

San Ysidro Community Plan Update - The Agency approved funding for the San Ysidro Community Plan Update to ensure consistency with the community's land use policies, infrastructure strategy, and redevelopment goals and objectives.

Street Light Improvement Project - The Agency completed the installation of 20 new decorative lights, and 21 new cobra and pole attachments in the San Ysidro Redevelopment Project. An additional 16 cobra lights and 7 pole attachment are anticipated to be installed by FY2010.

Camino de la Plaza Improvement Project -The Agency completed construction of new sidewalks, curbs, landscaping, fencing, and street furniture along the north and south side of Camino de la Plaza between Camiones Way and San Ysidro Boulevard. The Agency entered into an agreement with the San Ysidro Business Association ("SYBA") for SYBA to coordinate the production and installation of 109 street banners, facilitate the implementation of a utility art program, and create and install a cast iron grate and commemorative bench to celebrate the completion of the Camino de la Plaza Improvement Project.

San Ysidro Health Center Rehabilitation Loan Agreement - The Agency provided a $245,000 forgivable loan to the San Ysidro Health Center to assist in constructing off-site improvements for the Center's expansion project.

West Camino de la Plaza Improvement Project - This improvement project will provide health and safety related improvements, including the installation of new sidewalks, curbs, and gutters between the I-5 off ramp and Virginia Avenue. The improvement project will also make way for an additional westbound lane to facilitate traffic circulation.

El Pedregal Project - The Agency provided $3.6 million in funding assistance for the development of a 45 unit affordable housing project on approximately 2.2-acres located at the northeast corner of West San Ysidro Boulevard and Averil Street. The residential rental units shall be made available for households earning between 30% to 60% of the area median income ("AMI"). The construction is anticipated to be completed by the end of summer 2010.

Verbena Project - The Agency provided $6.8 million in funding assistance for the development of 80 affordable rental units on approximately 6.8-acres located at 3774 Beyer Boulevard. The residential rental units shall be made available for households earning 30% to 60% of AMI. Construction is underway and slated for completion by summer 2011.

Las Americas Shopping Center - The Agency approved the 6th Implementation Agreement with International Gateway West for an 100,000-sf retail expansion of the existing Las Americas Shopping Center on an approximately eight- acre site, located at the southwest corner of Camino de la Plaza and Sipes Lane.

Storefront Improvement Program - In partnership with the City's Storefront Improvement Program, the Program will provide eligible applicants funding for facade and sign renovations.

Casa Familiar Affordable Infill Project - The Agency entered into an agreement with Casa Familiar ("Casa") for Casa to develop designs, plans, and construction documents for six model home plans for an affordable infill project in San Ysidro, facilitate the expansion of infill affordable housing strategies and implementation of the Affordable Housing Overlay Zone.

Urban Corp Neighborhood Revitalization – The Agency entered into an agreement with Urban Corps to implement various neighborhood revitalization, housing rehabilitation, and community clean up events throughout the year.

Appeals in the San Ysidro Redevelopment Project

As of March 8, 2010, there were currently 31 appeal requests on record with the County for fiscal year 2009-10 for the San Ysidro Redevelopment Project and 23 pending appeals for fiscal year 2008-2009, which along with resolved appeals not yet reflected on the assessment roll, the Fiscal Consultant estimates could decrease the San Ysidro Redevelopment Project assessed value by $28 million, or 4% of San Ysidro Redevelopment Project assessed valuation. Based on historical success rates the Fiscal Consultant has assumed that the resolution of the outstanding appeals will result in a 8% reduction of the total contested value on these parcels, on average, in the San Ysidro Redevelopment Project.

For specific information about pending and settled appeals in the San Ysidro Redevelopment Project see, "APPENDIX A – FISCAL CONSULTANT'S REPORT – Section II.G."

Historic Collections in the Redevelopment Project

The following table shows actual receipts to the levy in the San Ysidro Redevelopment Project for the last six fiscal years.

TABLE 38
SAN YSIDRO REDEVELOPMENT PROJECT
Historic Receipts to Levy [1]

Fiscal Year Ending:	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
I. Reported Assessed Value						
Total Project Value[1]	$346,340,830	$375,961,247	$457,348,994	$552,426,218	$581,339,856	$776,638,343
Less Base Value	200,636,959	200,636,959	200,636,959	200,636,959	200,636,959	200,636,959
Incremental Value	145,703,871	175,324,288	256,712,035	351,789,259	380,702,897	576,001,384
Tax Rate	1.07188%	1.01080%	1.01020%	1.00970%	1.00950%	1.00930%
II. Gross Tax Increment	$ 1,561,771	$ 1,772,178	$ 2,593,305	$ 3,552,016	$ 3,843,196	$ 5,813,582
Unitary Revenue	607	615	619	1,322	9,322	9,589
County Administrative Expenses	(12,508)	(16,559)	(21,919)	(28,604)	(27,670)	(52,885)
Total Computed Levy	$ 1,549,870	$ 1,756,234	$ 2,572,005	$ 3,524,734	$ 3,824,847	$ 5,770,286
III. Total Receipts	$ 1,747,607	$ 2,032,658	$ 3,256,436	$ 3,823,632	$ 3,920,010	$ 6,780,684
Surplus (Shortfall)	197,737	276,423	684,431	298,898	95,162	1,010,398
% Difference of Computed Levy	112.76%	115.74	126.61%	108.48%	102.49%	117.51%

Source: Fiscal Consultant's Report, Appendix A.
(1) Based on total secured and unsecured value for the Project provided by the San Diego County Auditor/Controller.

As of March 3, 2010, 76 parcels (8.38% of the total parcels) in the San Ysidro Redevelopment Project had a delinquency rate of 2.98% in the payment of fiscal year 2009-2010 property taxes to the County Tax Collector. The fiscal consultant used information from zip code 92173 which fully encompasses the San Ysidro Redevelopment Project, but includes areas outside of the San Ysidro Redevelopment Project. Notices of Default were recorded with the County for 463 residential properties, 720 residential properties were undergoing a trustee's sale, and 546 residential properties were bank owned. There are over 7,500 residential units in zip code 92173, and there are 2,900 residential units in the San Ysidro Redevelopment Project.

Projection of Tax Revenues and Estimated Coverage

The following table details projected Tax Revenues in the San Ysidro Redevelopment Project. The projections start with fiscal year 2009-2010 and then utilize the following assumptions:

1. For purposes of the projection, fiscal year 2009-2010 is reduced to reflect actual and expected successful appeals in the Redevelopment Project.

2. Fiscal Years 2010-2011 and 2011-2012 have an assumed reduction of 6% and 4% respectively.

3. There is assumed no change to value in Fiscal Year 2012-2013, an annual increase of 1% each year through 2018-2019, and an annual increase of 2% each year thereafter.

4. A 1.00% tax rate is used for each fiscal year after 2009-2010.

TABLE 39
SAN YSIDRO REDEVELOPMENT PROJECT
Projection of Tax Revenues

Fiscal Year Ending	Total Value	Incremental Value Over Base of $200,636,959	Net Tax Increment Revenue	Low/Moderate Income Housing Set-Aside Revenue
2009-10	$696,263,603	$495,626,644	$4,961,925	$992,385
2010-11	635,160,426	445,053,838	4,415,622	883,124
2011-12	610,564,128	420,457,540	4,172,118	834,424
2012-13	610,564,128	420,457,540	4,172,118	834,424
2013-14	616,467,239	426,360,651	4,230,559	846,112
2014-15	622,429,382	432,322,794	4,289,584	857,917
2015-16	628,451,146	438,344,558	4,349,200	869,840
2016-17	634,533,128	444,426,540	4,409,412	881,882
2017-18	640,675,929	450,569,341	4,470,225	894,045
2018-19	646,880,159	456,773,571	4,531,647	906,329
2019-20	659,412,703	469,306,115	4,655,719	931,144
2020-21	672,195,898	482,089,310	4,782,273	956,455
2021-22	685,234,756	495,128,168	4,911,358	982,272
2022-23	698,534,392	508,427,804	5,043,024	1,008,605
2023-24	712,100,020	521,993,432	5,177,324	1,035,465
2024-25	725,936,961	535,830,373	5,314,309	1,062,862
2025-26	740,050,641	549,944,053	5,454,035	1,090,807
2026-27	754,446,595	564,340,007	5,596,555	1,119,311
2027-28	769,130,467	579,023,879	5,741,925	1,148,385
2028-29	784,108,017	594,001,429	5,890,203	1,178,041
2029-30	799,385,118	609,278,530	6,041,446	1,208,289
2030-31	814,967,761	624,861,173	6,195,714	1,239,143
2031-32	830,862,057	640,755,469	6,353,068	1,270,614
2032-33	847,074,239	656,967,651	6,513,569	1,302,714
2033-34	863,610,664	673,504,076	6,677,279	1,335,456
2034-35	880,477,818	690,371,230	6,844,264	1,368,853
2035-36	897,682,315	707,575,727	7,014,588	1,402,918
2036-37	915,230,902	725,124,314	7,188,320	1,437,664
2037-38	933,130,460	743,023,872	7,365,525	1,473,105
2038-39	951,388,010	761,281,422	7,546,275	1,509,255
2039-40	970,010,711	779,904,123	7,730,640	1,546,128
2040-41	989,005,866	798,899,278	7,918,692	1,583,738
2041-42	1,008,380,924	818,274,336	8,110,505	1,622,101

Source: Fiscal Consultant's Report, Appendix A.

BONDOWNERS' RISKS

The following section describes certain specific risk factors affecting the payment and security of the 2010 Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2010 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the 2010 Bonds. There can be no assurance that other risk factors will not become material in the future.

General

Tax Increment Revenues allocated to the Agency by the County are determined in part by the amount by which the assessed valuation of property in the Project Area exceeds the base year assessed valuation for such property, as well as by the current rate at which property in the Project Area is taxed. The Agency itself has no taxing power with respect to property, nor does it have the authority to affect the rate at which property is taxed. Assessed valuation of taxable property within the Project Area may be reduced by economic factors beyond the control of the Agency (see "Reduction to Assessed Value" below) or by substantial damage, destruction or condemnation of such property. Further, assessed valuation can be reduced as a result of actions of the California Legislature or electorate. Such a reduction of assessed valuations or tax rates could result in a reduction of the Tax Revenues that secure the 2010 Bonds, which in turn could impair the ability of the Agency to make payments of principal and/or interest on the 2010 Bonds when due.

In such event, substantial delinquencies in the payment of property taxes to the County or assessment appeals of such property taxes by the owners of taxable property within the Project Area could have an adverse effect on the ability of the Agency to make payments of principal and/or interest on the Series 2010 Bonds when due. See "THE REDEVELOPMENT PROJECT AREAS – Property Assessment Appeals in the Redevelopment Projects and Other Reductions to Value" and "BONDOWNERS' RISKS - Reduction to Assessed Values" below.

Both Article XIIIA and Article XIIIB of the California Constitution, which significantly affected the rate of property taxation and the expenditure of tax proceeds, were adopted pursuant to California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of public entities to increase revenues or to increase appropriations. For a further description of Article XIIIA and Article XIIIB of the California Constitution, see "TAX ALLOCATION FINANCING AND LIMITATIONS ON RECEIPT OF TAX INCREMENT—Property Tax Limitations — Proposition 13" and "—Appropriation Limitations — Gann Initiative."

To estimate the total revenues available to pay debt service on the 2010 Bonds, the Agency has made certain assumptions with regard to the availability of Tax Revenues. The Agency believes these assumptions to be reasonable, but to the extent Tax Revenues are less than anticipated, the total revenues available to pay debt service on the 2010 Bonds may be less than those projected herein. See "AGGREGATE PROJECTED TAX REVENUES AND ESTIMATED DEBT SERVICE COVERAGE" and "APPENDIX A - FISCAL CONSULTANT REPORT."

Reduction to Assessed Values

Appeals. There are two basic types of property tax assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If a property owner believes that the valuation determined by the County Assessor is in error, an appeal may be filed with the County Assessment Appeals Board during a period between July and November of each fiscal year. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than two percent annually unless and until another change in ownership and/or additional new construction activity occurs.

Proposition 8 Adjustments. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Proposition 8 allows property owners to apply for a temporary reduction in assessed value to match the current market value. As market values increase, the assessed property values will also increase up to the original assess value (plus the annual CPI increase, not to exceed 2%, as required by Proposition 13). In addition, the County Assessor's office allows property owners to file a Proposition 8 reduction request to their area appraiser between January and May of each fiscal year in order to reduce the assessed value of their property without having to file an assessment appeal with the County Assessment Appeals Board, otherwise known as an informal review. The County Assessor's office provides this option to property owners in order to limit the number of assessment appeals requiring hearing dates with the County Assessment Appeals Board. Following a review of the application by the County Assessor's Office (the "Assessor"), the Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than two percent) following the year for which the reduction application is filed. However, the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

It is the current practice of the County to distribute Tax Increment Revenues to the Agency as received based upon real property taxes levied on the annual tax roll during the then current fiscal year. The County does not reduce the Agency's receipts of such Tax Increment Revenues on account of amounts refunded to a taxpayer as the result of a successful appeal. Instead, the County applies any tax refunds paid to property owners in the Project Area against the Agency's allocation of supplemental assessment revenue. While it is the County's current practice not to apply refunds in excess of the supplemental revenue, there can be no assurance that such practice will not be discontinued by the County in the future.

Further significant appeals to assessed values in the Project Area may be filed from time to time in the future. The Agency cannot predict the extent of these appeals or their likelihood of success.

For more information concerning appeals to assessed values in the Project Area, see "APPENDIX A—FISCAL CONSULTANT REPORT" attached hereto.

The Fiscal Consultant reports that, in preparing the fiscal year 2009-10 assessment roll and pursuant to Proposition 8, the County Assessor reduced the taxable value of 104,000 properties (primarily residential properties) in the County. The total decrease in assessed valuation in the County due to Proposition 8 reductions was $8.77 billion, or approximately 2.1% of the 2008-09 County assessed valuation. For the fiscal year 2010-2011 roll, the County Assessor estimated a county-wide reduction in net assessed value of 1% from the fiscal year 2009-2010 roll. The County Assessor has estimated a similar county-wide reduction in assessed value for fiscal year 2011-12, based on historical trends.

The Proposition 8 reductions are reviewed annually and may, as market conditions improve, restore assessed values to their factored base year value. It is not known whether the County Assessor will continue to grant Proposition 8 reductions to properties in the Project Area.

Reduction in Inflationary Rate. As described in greater detail herein, Article XIIIA of the California Constitution provides that the full cash value basis of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. The State Board of Equalization has notified assessors that the California Consumer Price Index to be applied to the fiscal year 2010-11 assessment roll is 0.99736, representing a decrease of 0.237%. Properties whose 2010-11 assessed valuation is determined by a Proposition 8 assessment adjustment would not be subject to the Proposition 13 annual adjustment until the County Assessor restored

their valuation to the factored base year valuation, which would then reflect all annual inflation adjustments from the time the property was originally sold or constructed. The Fiscal Consultant has projected Tax Revenues to be received by the Agency based, among other things, upon 0.237% decrease. Should the assessed valuation of taxable property in the Project Area decrease at the projected annual rate in excess of 0.237%, the Agency's receipt of future Tax Revenues may be adversely affected.

The approximate Countywide change in Assessed Value for fiscal year 2009-2010 was -3%, and the County estimates that in fiscal year 2010-2011 and 2011-2012 the change in assessed value Countywide will be -1% respectively.

Levy and Collection

The Agency does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the 2010 Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments.

Parity Debt

As described in "SECURITY FOR THE 2010 BONDS — Additional Debt," the Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge of Tax Revenues to payment of debt service on the 2010 Bonds. The existence of and the potential for such obligations increases the risks associated with the Agency's payment of debt service on the 2010 Bonds in the event of a decrease in the Agency's collection of Tax Revenues.

The California State Budget and the Educational Revenue Augmentation Fund

Since Fiscal Year 1992/93, the State Legislature has authorized the reallocation of property tax revenues from redevelopment agencies multiple times in an effort to assist the State in balancing its General Fund budget. Each time the State reallocates property tax revenues from redevelopment agencies, it reduces the amount of revenues that the Agency can use in the payment of debt service on the Series 2010 Bonds. Further, Proposition 1A, which was approved by the California electorate in November 2004 and which placed restrictions in the State Constitution on the ability of the State Legislature to reallocate property tax revenues from local agencies, does not restrict or prevent the State Legislature from reallocating property tax revenues from redevelopment agencies, including the Agency. As such, no assurances can be made that the State will not make further reallocations in property tax revenues that would reduce the amount of property tax revenues to which the Agency is entitled. The following is a list of recent actions taken by the State Legislature which reallocated property tax revenues from redevelopment agencies:

In connection with its approval of the budget for the State for the 1992-93, 1993-94, 1994-95, 2002-03, 2003-04, and 2004-05 Fiscal Years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas. The Agency has made all previous ERAF payments as required by applicable law.

The State budgets for 2005-06, 2006-07 and 2007-08 had no new ERAF payment requirements. However, in connection with the State budget for Fiscal Year 2008-09, on September 30, 2008, the California Legislature enacted AB 1389. AB 1389 required a one-time shift of $350 million from redevelopment agencies to their respective ERAF of which the Agency would be responsible for approximately $11,500,000.

The validity of AB 1389 was challenged in litigation in the Superior Court for Sacramento County, *California Redevelopment Association et al. v. Genest et al.,* Case No. 34-2008-00028334-CUWM-GDS (*"CRA*

v. Genest"). This case alleged, among other things, that the duties of county auditors to deposit funds received from redevelopment agencies in County ERAFs are inconsistent with various state and federal constitutional provisions and are therefore unlawful and unenforceable. The lawsuit argued that the State raids of redevelopment funds to balance the State budget are unconstitutional, violating Article XVI, Section 16 of the California Constitution, which states that redevelopment funds can only be used to finance redevelopment projects. The lawsuit contended that taking redevelopment funds to balance the State's budget does not qualify as a constitutionally permitted use of tax increment. On April 30, 2009, the Sacramento Superior Court ruled in favor of the petitioners, holding that petitioners are entitled to declaratory and injunctive relief invalidating and enjoining Health and Safety Code Section 33685 as provided for in AB 1389. The court stated that the "distribution of contributions by RDAs to their county ERAFs ... can be expected to regularly result in the use of RDA's tax increment revenues by schools and education programs unrelated to the RDA's redevelopment projects." A judgment was signed by the Sacramento Superior Court on May 7, 2009, forbidding any of the defendants from taking any actions to carry out or enforce any of the payment requirements in AB 1389. The State appealed the decision; however, on September 23, 2009, the State filed a notice of abandonment of its appeal with the Court, so that the Superior Court judgment became final and no longer subject to appeal on that date.

In connection with legislation related to the budget for the State for Fiscal Year 2009-10, on July 24, 2009 the State Legislature adopted AB 26, which was signed by the Governor and became law on July 28, 2009. AB 26 requires a $1.7 billion one-year transfer, in the aggregate, from redevelopment agencies to their respective County Supplemental Educational Revenue Augmentation Fund ("SERAF") in 2009-10, plus another $350 million aggregate transfer in 2010-11. A SERAF is similar to an ERAF, except that there is an additional requirement for the SERAF (in response, in part, to the CRA v. Genest litigation) that moneys in the SERAFs must be used by school districts and county offices of education to serve pupils living in redevelopment areas or in housing supported by redevelopment agency funds. In October 2009, the California Redevelopment Association (the "CRA") filed a lawsuit in the Superior Court for Sacramento County, *California Redevelopment Association et al. v. Genest et al.,* Case No. 34-2009-8000359 challenging the validity of AB 26. On May 4, 2010, a ruling was delivered denying relief to the petitioners and denying a stay on the transfer of funds from Redevelopment Agencies to the Counties. On May 5, 2010, the CRA determined that it would appeal the ruling. The Agency cannot determine whether the appeal will be successful. The method for calculating each redevelopment agency's payment and respective share of the 2009-10 and 2010-11 transfers is similar to that in prior ERAF legislation, except that instead of using the prior year's tax increment figures for the basis of calculation, AB 26 requires the calculation to use the tax increment figures from fiscal year 2006-07 with respect to the SERAF payment required for both 2009-10 and 2010-11. The Agency's 2009-10 SERAF payment of $55,649,000 was paid on May 10, 2010 from non-housing funds on hand with the Agency. The Agency's 2010-11 SERAF payment is estimated by the CRA to be approximately $11,500,000, and is due by May 10, 2011.

AB 26 provides that the Agency may suspend Housing Set-Aside contributions to its Low and Moderate Income Housing Fund for 2009-10 or borrow Housing Set-Aside funds in the Agency's Low and Moderate Income Housing Fund, in order to make the SERAF payments – provided the funds are repaid by June 30 of the Fiscal Year occurring 5 years after the Fiscal Year of the commencement of suspension or borrowing. Agencies that do not repay their Low and Moderate Income Housing Funds within such timeframe are required to increase their contribution to such Funds by an additional five percent (5%) for each unmet repayment date. If an Agency failed to repay both SERAF amounts borrowed from the Low and Moderate Income Housing Fund by the specified dates, the Agency's contribution to its Low and Moderate Income Housing Fund would increase to 30% of gross tax increment from the current 20%. The Agency funded the entire amount of its 2009-10 SERAF payment from non-housing funds on May 10, 2010 and expects to fully fund the entire amount of its 2010-11 SERAF payment by the May 10, 2011 deadline.

AB 26 expressly provides that the obligation of any redevelopment agency to make the SERAF payments for fiscal years 2009-10 and 2010-11 shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal or interest on any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670 of the California Health and Safety Code. Pursuant to AB 26, under a number of circumstances (e.g., failure to pay, or

have paid on its behalf, any SERAF payment; failure to repay when due housing set-aside amounts borrowed or suspended, etc.), a sanction will be imposed on a redevelopment agency which would require the agency's annual housing set-aside amount to be increased from 20% of its gross tax increment to 25% of its gross tax increment, for the balance of the time the sanctioned redevelopment agency receives tax increment.

There can be no assurance that the State Legislature will not require similar or other diversion of tax increment funds in future years to deal with its budget deficits, nor can there be any assurance that any obligation to make any future payments from tax increment funds will be made subordinate to a pledge of taxes to pay 2010 Bond debt service.

The potential impact of future legislation could be material to the Agency and its ability to repay existing and future obligations and conduct its redevelopment activities. The Agency cannot predict whether the State Legislature will enact additional legislation which shifts tax increment revenues away from redevelopment agencies to the State or to schools (whether through an arrangement similar to ERAF, SERAF or by any other arrangement), whether any future shifts in tax increment revenue would be limited or affected (such as by an offset of amounts required to be shifted) by pre-existing agreements between redevelopment agencies and school districts, community college districts and county superintendents of schools, or what impact such legislation may have on the Tax Revenues pledged to pay debt service on the 2010 Bonds. Accordingly, the Agency is not able to predict the effect, if any; such a shift, if enacted, would have on future Tax Revenues.

Information about the State budget and State spending is available at various State-maintained websites. None of such websites are in any way incorporated into this Official Statement, and the Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

Investment Risk

All funds held under the Indenture are required to be invested in Investment Securities as provided under the Indenture. See Appendix D attached hereto for a summary of the definition of Investment Securities. The Special Fund, into which all Tax Revenues are initially deposited, may be invested by the Agency in Investment Securities. All investments, including the Investment Securities and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or the Special Fund could have a material adverse affect on the security for the 2010 Bonds.

Further, the Agency cannot predict the effects on the receipt of Tax Increment Revenue if the County or the City were to suffer significant losses in their portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy.

Development and Economic Risks

Project development within the Project Area may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Project Areas could be adversely affected by future governmental policies, including policies that restrict or control development. If projected development in the Project Areas is delayed or halted, the economy of the Project Areas could be affected, potentially causing a reduction of the Tax Revenues available to repay the Series 2010 Bonds. In addition, if there is a general decline in the economy of the Project Areas, the owners of property in the Project Areas may be less able or willing to make timely payments of property taxes, causing a delay or stoppage of Tax Revenues received by the Agency.

Bankruptcy

The bankruptcy of a major assessee in any of the Project Areas could delay and/or impair the collection of property taxes by the County with respect to properties in the bankruptcy estate. Although the Agency is not

aware of any major property owners in the Project Areas that are in bankruptcy or threatening to declare bankruptcy, the Agency cannot predict the effects on the collections of Tax Increment Revenues if such an event were to occur.

Earthquake

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 Project Areas. The Rose Canyon fault zone extends from La Jolla to San Diego Bay and is considered capable of producing a large, damaging earthquake. Several active strands of the Rose Canyon fault have been discovered in downtown San Diego. An "active" fault is a fault that has moved within the past 10,000 years or so, and is considered capable of renewed movement. The City requires geologic studies to investigate possible faulting prior to issuance of Building Permits. More distant potential sources of damaging earthquakes are located about 10 miles offshore (Coronado Bank fault) and about 25 miles northeast of the City (Elsinore Fault). Historically, coastal San Diego has experienced some earthquake damage as a result of distant earthquakes. The City 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 Project Areas. Earthquake faults and other natural conditions may change over time, potentially increasing the risk of disasters.

If an earthquake were to substantially damage or destroy taxable property within the Project Areas, the assessed valuation of such property would be reduced. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the 2010 Bonds, which in turn could impair the ability of the Agency to make payments of principal of and/or interest on the 2010 Bonds when due.

Hazardous Substances

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

Secondary Market

There can be no guarantee that there will be a secondary market for the 2010 Bonds, or, if a secondary market exists, that such 2010 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate of the Agency (the "Disclosure Certificate"), the Agency has agreed to provide, or cause to be provided, annually certain information and notice of certain Listed Events (as described in the Continuing Disclosure Certificate) to the Municipal Securities Rulemaking Board in the manner prescribed by the Securities Exchange Commission (the "SEC"). The form of the Disclosure Certificate is attached hereto as APPENDIX F. The Agency's covenants in the Continuing Disclosure Certificate have been made in order to assist the Underwriters in complying with the Rule. A failure by the Agency to comply with any of the covenants therein is not an event of default under the Indenture.

Beginning in March 2004, the Agency failed to comply with continuing disclosure undertakings related to 20 bond issues for each of fiscal years 2003 through 2007 due to the unavailability of the Agency's audited financial statements. The circumstances regarding the unavailability of the Agency's audited financial statements are described under the caption entitled "INTRODUCTION – 2006 SEC Order and Related Actions." Each required annual report and audited financial statement was subsequently filed. Prior to March 2004, the Agency had never failed to comply with its undertakings under the Rule.

The Agency has timely filed the annual reports and financial statements for Fiscal Year 2009 and corresponding continuing disclosure filings were prepared and filed in a timely manner.

CERTAIN INFORMATION CONCERNING THE CITY

Certain general information concerning the City is included herein as Appendix B hereto. Such information is provided for informational purposes only. Neither the General Fund nor any other fund of the City is liable for the payment of the 2010 Bonds or the interest thereon, nor is the taxing power of the City pledged for the payment of the 2010 Bonds or the interest thereon.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters are subject to the approving opinion of Best Best & Krieger LLP, Bond Counsel to the Agency. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Agency by Best Best & Krieger LLP, Riverside, California, as general counsel and as disclosure counsel to the Agency.

TAX MATTERS

This advice was written to support the promotion or marketing of the 2010 Bonds. This advice is not intended or written to be used, and may not be used, by any person or entity for the purpose of avoiding any penalties that may be imposed on any person or entity under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Prospective purchasers of the 2010 Bonds should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion generally describes certain aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners ("Owners") of bonds who have purchased the 2010 Bonds on the initial offering of the 2010 Bonds as capital assets within the meaning of Section 1221 of the Code. For purposes of this discussion, a "U.S. person" means an individual who, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (iv) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations.

This summary is based on the Code, published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations (all as of the date hereof and all of which are subject to change, possibly with retroactive effect). This summary does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances, such as an Owner who may purchase the 2010 Bonds in the secondary market, or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, non-U.S. persons, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, or dealers in securities. **Accordingly, before deciding whether to purchase any 2010 Bonds, prospective purchasers should consult their own tax advisors regarding the United States federal income tax consequences, as well as tax consequences under the laws of the any state, local or foreign taxing jurisdiction or under any applicable tax treaty, of purchasing, holding, owing and disposing of the 2010 Bonds.**

Interest on the 2010 Bonds is not excludable from the gross income of the Owners under Section 103 of the Code.

Payments of Interest. Interest paid with respect to the 2010 Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner's method of accounting for U.S. federal income tax purposes. Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest payment; Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

Disposition or Retirement of 2010 Bonds. Upon the sale, exchange or other disposition of a 2010 Bond, or upon the retirement of a 2010 Bond (including by redemption), an Owner will recognize capital gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (excluding any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner's adjusted tax basis in a 2010 Bond. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes.

Defeasance of the 2010 Bonds. If the Agency defeases any 2010 Bonds, such bonds may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In such event, the Owner of a 2010 Bond would recognize a gain or loss on the 2010 Bond at the time of defeasance.

Backup Withholding. An Owner of a 2010 Bond may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 28%, but may change in the future) with respect to interest or original issue discount on the 2010 Bonds. This withholding generally applies if the Owner of a 2010 Bond (i) fails to furnish the Trustee or other payor with its taxpayer identification number; (ii) furnishes the Trustee or other payor an incorrect taxpayer identification number; (iii) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the Owner is not subject to backup withholding. Any amount withheld may be creditable against the Owner's U.S. federal income tax liability and be refundable to the extent it exceeds the Owner's U.S. federal income tax liability. The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the 2010 Bonds will be reported to the Owners and to the Internal Revenue Service.

Reporting of Interest Payments. Subject to certain exceptions, interest payments made to beneficiary owners with respect to the 2010 Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099, which will reflect the name, address and Taxpayer Identification Number of the beneficial owner. A copy of Form 1099 is required to be sent to each beneficial owner of a 2010 Bond.

STATE TAX LAW STATUS

In the further opinion of Bond Counsel, interest paid with respect to the 2010 Bonds is exempt from present California personal income taxes.

LITIGATION

At the time of delivery of and payment for the 2010 Bonds, the Agency will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or to the knowledge of the Agency threatened (i) in any way questioning the corporate existence of the Agency or the titles of the officers of the Agency to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the 2010 Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the 2010 Bonds, or in any way contesting or affecting the validity of the purchase, the Continuing Disclosure Certificate, the 2010 Bonds and the Indenture (collectively, the "Agency Documents"), the power of the Agency to execute and deliver the Agency Documents or this Official Statement or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the 2010 Bonds from taxation or contesting the powers of the Agency and its authority to pledge the Tax Revenues to the payment of the principal of and the interest on the 2010 Bonds; (iii) which may result in any material adverse change relating to the Agency; or (iv) contesting the completeness or accuracy of this Official Statement or any supplement or amendment hereto or asserting that this Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

FINANCIAL STATEMENTS FOR FISCAL YEAR 2009

Included herein in APPENDIX C is the Agency's Annual Financial Report for the fiscal year ended June 30, 2009, which includes the Agency's audited basic financial statements as of and for the year ended June 30, 2009. The Agency's basic financial statements as of June 30, 2009 and for the year then ended, included in APPENDIX C, have been audited by Macias Gini & O'Connell LLP as stated in its report appearing in APPENDIX C.

Macias Gini & O'Connell LLP as the independent auditors did not review this Official Statement. The Agency did not request the consent of the independent auditors to append the Agency's financial statements to this Official Statement. Accordingly, the independent auditors did not perform any procedures relating to any of the information in this Official Statement.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("S&P") and Moody's Investor Services ("Moodys") have assigned their municipal bond ratings of "__" and "__," respectively to the 2010 Bonds. Such ratings reflect only the views of the rating agencies and an explanation of the significance of such rating and any rating of the Agency's outstanding obligations may be obtained from Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041-0003 and Moody's Investor Services, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007.

There is no assurance that such rating will continue for any given period or that they will not be revised downward or withdrawn entirely by S&P and Moodys, if in their judgment, circumstances so warrant. The Agency and the Fiscal Agent undertake no responsibility either to notify the owners of the 2010 Bonds of any revision or withdrawal of the rating or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2010 Bonds.

UNDERWRITING

The 2010 Bonds are being purchased by _____ (the "Underwriter") pursuant to a bond purchase agreement. The Underwriters have entered into an agreement with the Authority and the Agency whereby the Authority has agreed to purchase from the Agency and concurrently resell to the Underwriters the 2010 Bonds at a purchase price of $_____, subject to certain terms and conditions to be fulfilled by the Agency and the City. The Underwriters have certified to the Agency that the 2010 Bonds were re-offered to

the general public at the prices or yields set forth on the inside front cover page of this Official Statement. Based on such certification, the Underwriting compensation will be $_____. The offering prices may be changed from time to time by the Underwriter.

Piper Jaffray & Co., ("Piper") has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings allocated to Piper at the original offering prices. Under the Distribution Agreement, if applicable to the Bonds, Piper will share with AAM a portion of the fee or commission, exclusive of management fees, paid to Piper.

MISCELLANEOUS

All of the preceding summaries of the 2010 Bonds, the Indenture, other applicable legislation, agreements and other documents are made subject to the provisions of the 2010 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.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

By: _____
Jerry Sanders, Executive Director

APPENDIX A

FISCAL CONSULTANT'S REPORT

CONSOLIDATED FISCAL CONSULTANT REPORT

CITY HEIGHTS, CROSSROADS, NAVAL TRAINING CENTER, NORTH BAY, NORTH PARK, AND SAN YSIDRO PROJECT AREAS

Prepared for

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
1200 Third Avenue, Suite 1400
San Diego, CA 92101

Prepared by

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F. NORTH PARK
G. SAN YSIDRO

I. INTRODUCTION

The Redevelopment Agency of the City of San Diego (the "Agency") anticipates issuing a pooled series of tax allocation bonds in the summer of 2010 secured by housing tax increment revenues from the City Heights, Crossroads, Naval Training Center, North Bay, North Park, and San Ysidro project areas (the "Project Areas").

David Taussig & Associates, Inc. ("DTA") has prepared individual Fiscal Consultant Reports (the "Report(s)") for the Project Areas in order to project the tax increment revenues generated by the increase in assessed value of real and personal property within the Project Areas. For purposes of the pooled housing bond issue, certain information included in the individual Reports has been aggregated and included in this Consolidated Fiscal Consultant Report (the "Consolidated Report").

Section II of this Consolidated Report includes aggregate tables which summarize certain data included in the project-specific Reports.

A. Comprehensive Affordable Housing Strategy Collaborative

In 2006 the Agency approved the pooling of the housing set-aside funds from the Redevelopment Division's eleven project areas for an Affordable Housing Opportunity Program in order to provide greater flexibility in financing affordable housing projects throughout the City of San Diego. In July 2007, the Agency approved four separate non-revolving housing lines of credit with San Diego National Bank in an aggregate amount of $34 million secured by the housing set-aside funds from four project areas: City Heights ($11 million); Naval Training Center ($7.1 million); North Bay ($8.6 million); and North Park ($7.3 million). Of the $34 million, $29 million was allocated to the Affordable Housing Opportunity Program, including North Bay's $8.6 million. To date, the Affordable Housing Opportunity Program has provided approximately $26 million for affordable housing projects in the North Park, San Ysidro, Barrio Logan, Crossroads, and City Heights project areas.

Housing proceeds from the Series 2010 Bonds not needed for housing programs or developer repayments in the Project Area will be available for projects in other project areas through the Comprehensive Affordable Housing Collaborative Program.

B. Proposed Series 2010 Bonds

The Agency anticipates issuing a pooled taxable series of tax allocation bonds in the summer of 2010 secured by housing tax increment revenues from all six Project Areas.

The proceeds of the pooled housing bonds are expected to be used for repaying bank lines of credit and to finance a portion of the costs for low and moderate income affordable housing projects within or of benefit to the Project Areas.

C. Current Uses of Housing Tax Increment Revenues

The following items represent current uses of annual net housing tax increment revenues that will be senior to or on parity with the proposed Series 2010 Bonds.

1. Existing City Heights Tax Allocation Bonds

In December 2003, the Agency issued Housing Set-Aside Tax Allocation Bond Series A (Taxable) and Series B (Tax–Exempt) for the City Heights Redevelopment Project Area in the amounts of $4,955,000 and $865,000, respectively. The Series 2003 Bonds are to be repaid solely from housing set-aside funds.

Housing set-aside funds for the City Heights Redevelopment Project Area will be used to pay the existing Series 2003 tax allocation bonds prior to the payment of debt service on the proposed Series 2010 Bonds.

2. Existing North Bay Tax Allocation Bonds

In 2000, the Agency issued tax allocation bonds for the North Bay Redevelopment Project Area in the amount of $13,000,000. The current amount outstanding for the Series 2000 bonds is $10,935,000. The Agency used approximately 25% of the proceeds of the Series 2000 bonds for housing purposes. Under redevelopment law, the Agency may pay that portion of the scheduled debt service on the Series 2000 bonds attributable to the proceeds of such bonds used for housing purposes with housing set-aside funds. The Agency currently pays approximately 25% of the debt service on the outstanding bonds with housing set-aside funds. The remaining 75% of the debt service on the outstanding bonds is paid with non-housing revenues.

Housing set-aside funds for the North Bay Redevelopment Project Area will be used to pay the housing portion of the existing Series 2000 tax allocation bonds prior to the payment of debt service on the proposed Series 2010 Bonds.

3. Existing North Park Tax Allocation Bonds

In 2000 and 2003, the Agency issued tax allocation bonds for the North Park Redevelopment Project Area in the amounts of $7,000,000 and $12,505,000, respectively. The current amount outstanding for the Series 2000 bonds is $5,890,000. The Series 2003 bonds were further bifurcated into Series 2003A (taxable) and Series 2003B (tax-exempt) bonds. The current amount outstanding for the Series 2003A and 2003B bonds is $5,845,000 and $5,360,000, respectively. The Agency used approximately 25% of the proceeds of the Series 2000 bonds for housing purposes, and the Agency used approximately 41% of the proceeds of the Series 2003A bonds for housing purposes. None of the proceeds of the Series 2003B bonds were used

for housing purposes. Under redevelopment law, the Agency may pay that portion of the scheduled debt service on the Series 2000 bonds and Series 2003A bonds attributable to the proceeds of such bonds used for housing purposes (or a total of 24% of the combined debt service on the outstanding bonds) with housing set-aside funds. The Agency currently pays approximately 20% of the combined debt service on the outstanding bonds with housing set-aside funds.

Housing set-aside funds for the North Park Redevelopment Project Area will be used to pay the housing portion of the existing Series 2000 and 2003 tax allocation bonds (up to approximately 24% of the combined debt service on such bonds) prior to the payment of debt service on the proposed Series 2010 Bonds.

II. AGGREGATE INFORMATION

The information provided below is based on the aggregate data from each of the project-specific Reports included herein. Please refer to each Report included herein for the project-specific data.

A. PROJECT AREAS BACKGROUND

The current limits for the Redevelopment Plan for each Project Area is shown below:

Project Area	Ordinance Adopted [1]	Tax Increment Collection Limit	Amount of Tax Increment Collected to Date [2]	Tax Increment Collection Limit	Maximum Amount of Bonded Indebtedness	Maximum Time Allowed to Incur Bonded Indebtedness
City Heights	May 11, 1992	51 Years [3]	$75,400,035	$713,000,000	$160 Million	20 Years from Adoption of Plan
Crossroads	May 6, 2003	45 Years [4]	$16,328,736	NA	$100 Million	20 Years from Adoption of Plan
Naval Training Center	May 13,1997	46 Years [5]	$21,494,864	NA	$56 Million	20 Years from County Auditor Certification [6]
North Bay	May 18, 1998	46 Years [5]	$43,189,617	NA	$93 Million	20 Years from Adoption of Plan
North Park	March 4, 1997	46 Years [5]	$37,608,847	NA	$53 Million	20 Years from Adoption of Plan
San Ysidro	April 16, 1996	46 Years [5]	$25,172,845	NA	$75 Million	20 Years from Adoption of Plan

[1] All Project Areas except City Heights are post AB 1290 redevelopment Project Areas.
[2] Total receipts as shown in Table 10 of respective Individual Fiscal Consultant Report (Table 9 for San Ysidro Project Area).
[3] The time limit for the repayment of indebtedness is also 51 years.
[4] The time limit for the repayment of indebtedness is also 45 years.
[5] The time limit for the repayment of indebtedness is also 46 years.
[6] Time limits commence from the date the County Auditor certifies the final day of the first fiscal year in which $100,000 in tax increment is paid to the Agency from the Project Area. (Sec. 33492.13(a)(2)).

B. HISTORIC TAXABLE VALUES

DTA researched historic secured and unsecured taxable values within each project area. These values, which are based on information provided by the County of San Diego Auditor Controller, are shown in Table 1 below.

TABLE 1
HISTORICAL TAX INCREMENT VALUES

	1998 1999	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009	2009 2010
City Heights												
Incremental Value	NA	7,981,781	70,136,261	176,609,210	319,513,537	480,428,620	687,477,067	933,370,642	1,166,783,752	1,341,254,458	1,409,800,831	1,165,593,710
Percentage Change in Incremental Value	NA	NA	778.70%	151.81%	80.92%	50.36%	43.10%	35.77%	25.01%	14.95%	5.11%	-17.32%
Crossroads												
Incremental Value	NA	NA	NA	NA	NA	NA	99,806,660	210,077,019	314,265,496	392,743,522	427,310,853	351,364,009
Percentage Change in Incremental Value	NA	NA	NA	NA	NA	NA	NA	110.48%	49.60%	24.97%	8.80%	-17.77%
Naval Training Center												
Incremental Value	NA	NA	NA	NA	11,098,158	100,846,542	196,893,179	338,060,935	388,276,829	385,194,706	452,973,530	493,387,145
Percentage Change in Incremental Value	NA	NA	NA	NA	NA	808.68%	95.24%	71.70%	14.85%	-0.79%	17.60%	8.92%
North Bay												
Incremental Value	NA	98,322,552	127,874,887	170,000,639	214,497,781	285,681,754	339,944,920	418,984,525	587,618,343	773,466,820	852,384,535	877,859,019
Percentage Change in Incremental Value	NA	NA	30.06%	32.94%	26.17%	33.19%	18.99%	23.25%	40.25%	31.63%	10.20%	2.99%
North Park												
Incremental Value	NA	37,230,642	68,871,778	109,835,528	152,590,151	213,220,242	288,218,469	408,468,058	532,591,557	708,420,158	745,178,791	715,933,767
Percentage Change in Incremental Value	NA	NA	84.99%	59.48%	38.93%	39.73%	35.17%	41.72%	30.39%	33.01%	5.19%	-3.92%
San Ysidro												
Incremental Value	3,031,915	10,959,454	26,246,604	95,497,959	121,361,241	145,703,871	175,324,288	256,712,035	351,789,259	380,702,897	576,001,384	528,157,942
Percentage Change in Incremental Value	NA	261.47%	139.49%	263.85%	27.08%	20.06%	20.33%	46.42%	37.04%	8.22%	51.30%	-8.31%
Grand Total												
Incremental Value	3,031,915	154,494,429	293,129,530	551,943,336	819,060,868	1,225,681,029	1,787,664,583	2,565,673,214	3,341,325,236	3,981,782,561	4,463,649,924	4,132,295,592
Percentage Change in Incremental Value	NA	4995.61%	89.73%	88.29%	48.40%	49.67%	45.83%	43.52%	30.23%	19.17%	12.10%	-7.42%

C. Fiscal Year 2009-2010 Secured Assessed Value, Tax Increment Value, & Housing Revenue

Table 2 below summarizes the total Fiscal Year 2009-2010 secured assessed value, tax increment value, and housing revenue for each Project Area.

TABLE 2
FY 2009-2010 SECURED ASSESSED VALUE, TAX INCREMENT VALUE, & HOUSING REVENUE

Project Area	FY 09-10 Secured Assessed Value [1]	Percent of Total	FY 09-10 Tax Increment Value	Percent of Total	FY 09-10 20% Housing Revenue	Percent of Total
City Heights	$2,119,344,780	31.74%	$1,165,593,710	28.21%	$2,192,259	28.16%
Crossroads	$833,418,454	12.48%	$351,364,009	8.50%	$627,882	8.06%
Naval Training Center	$473,913,373	7.10%	$493,387,145	11.94%	$917,265	11.78%
North Bay	$1,449,574,671	21.71%	$877,859,019	21.24%	$1,690,778	21.72%
North Park	$1,111,477,636	16.65%	$715,933,767	17.33%	$1,365,238	17.53%
San Ysidro	$689,565,435	10.33%	$528,157,942	12.78%	$992,385	12.75%
Grand Total	$6,677,294,349	100.00%	$4,132,295,592	100.00%	$7,785,807	100.00%

[1] Based on final FY 2009-2010 County Assessor's Roll.

D. Values by Land Use Type

Each project area includes a combination of land uses based on an analysis of the Fiscal Year 2009-2010 Assessor's roll. The breakdown by land use type for all six Project Areas is shown in Table 3.

TABLE 3
FY 2009-2010 ASSESSED VALUE BY LAND USE

Land Use [1]	No. of Parcels [1]	Units	Secured Total Net Assessed Value [2]	Percent of Net Assessed Value
Residential Property (land use codes 07 through 19)				
Vacant Residential	367	0	$32,264,829	0.48%
Single-Family Residential	5,694	5,724	$1,108,213,738	16.60%
Multi-Family Residential	7,068	29,810	$2,299,524,165	34.44%
Condominium	2,273	2,273	$388,090,595	5.81%
Mobilehome	2	2	$652,000	0.01%
Manufactured Home	1	1	$180,929	0.00%
Miscellaneous	20	21	$2,314,844	0.03%
Subtotal	15,425	37,831	$3,831,241,100	57.38%
Commercial Property (land use codes 20 through 39)				
Office Space	1,502	NA	$1,080,168,683	16.18%
Retail	311	NA	$748,905,550	11.22%
Vacant Land	236	NA	$62,009,234	0.93%
Other Uses	419	NA	$569,299,538	8.53%
Subtotal	2,468	NA	$2,460,383,005	36.85%
Industrial Property (land use codes 40 through 49)	384	NA	$325,102,491	4.87%
Farm / Rural Land (land use codes 50 through 65)	1	NA	$23,840	0.00%
Institutional Property (land use codes 70 through 79)	118	NA	$33,397,565	0.50%
Recreational Property (land use codes 80 through 84)	14	NA	$19,693,118	0.29%
Miscellaneous Use (land use codes 88 through 89 and 00)	29	NA	$7,453,230	0.11%
Total	**18,439**	**37,831**	**$6,677,294,349**	**100.00%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assesssor's Roll.
[2] Based on final FY 2009-2010 Assessor's Roll. Land use codes provided by the County Assessor.

E. TEN MAJOR ASSESSEES

Table 4 presents the consolidated top ten assessees for all six Project Areas based on the Fiscal Year 2009-2010 equalized roll. The table shows the assessee name/owner, Project Area, the land use, and number of Assessor's Parcels under their ownership, the total net assessed valuation under their ownership, the percentage of the total assessed value for all six Project Areas represented by that owner's property, and the percentage of the total incremental value for all six Project Areas represented by the applicable owner's property.

TABLE 4
FY 2009-2010 TOP TEN ASSESSEES

Owner	Project Area	Land Use	No. of Parcels [1]	Secured Total Net Assessed Value [2]	Percent of Secured Total Net Value	Percent of Incremental Value [2]
Chelsea San Diego Finance LLC [3, 4]	San Ysidro	Retail	9	$288,868,848	4.33%	6.99%
Liberty Station HHG Hotel LP/City of San Diego Redevelopment Agency [5, 6]	Naval Training Center	Hotel/Motel	2	$68,725,793	1.03%	1.66%
Morena Vista LLC	North Bay	Store Building	1	$59,469,794	0.89%	1.44%
Lakha Properties San Diego LLC	Crossroads	Retail/Vacant Commercial	11	$43,496,529	0.65%	1.05%
MB Hotel Ventures LLC	North Bay	Hotel/Motel/Restaurant	7	$36,840,993	0.55%	0.89%
FS San Ysidro LLC [7]	San Ysidro	Retail	5	$34,834,740	0.52%	0.84%
HG Real Estate Partners LP	Crossroads	Multi-Family Residential	2	$29,710,595	0.44%	0.72%
Newport Taft Inc/Mansour Brothers Inc	North Bay	Hotel/Motel	1	$23,691,467	0.35%	0.57%
Metropolitan Life Insurance Co	North Bay	Garage/Parking Lot/Used Car Lot	13	$23,565,060	0.35%	0.57%
P S Ivanhoe LLC	North Bay	Store Building	1	$21,828,000	0.33%	0.53%
Grand Total		**NA**	**52**	**$631,031,819**	**9.45%**	**15.27%**

SECURED TOTAL NET ASSESSED VALUE OF TOP 5 OWNERS:	**$497,401,957**
SECURED TOTAL NET ASSESSED VALUE OF TOP 10 OWNERS:	**$631,031,819**
SECURED TOTAL NET ASSESSED VALUE	**$6,677,294,349**
TOTAL TAX INCREMENT VALUE:	**$4,132,295,592**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL SECURED NET VALUE:	**7.45%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL TAX INCREMENT VALUE:	**12.04%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL SECURED NET VALUE:	**9.45%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL TAX INCREMENT VALUE:	**15.27%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assesssor's Roll.

[2] Based on final FY 2009-2010 Assessor's Roll.

[3] Includes parcels that are leased to other entities based on the FY 2009-2010 Assessor's Roll.

[4] Chelsea San Diego Finance LLC contested the value of two parcels in FY 2008-2009 which resulted in a reduction in value of $12,205,000 after the FY 2009-2010 Assessor's Roll was finalized. In addition, Chelsea San Diego Finance LLC filed an additional appeal to futher reduce the value of one of the two parcels mentioned above. DTA has assumed the appeal is resolved in favor of the applicant with a reduction of $12,703,488, which equals 92% of the contested value.

[5] Based on ownership information in the FY 2009-2010 Assessor's Roll, parcels are leased from the City of San Diego Redevelopment Agency.

[6] Liberty Station HHG Hotel LP contests that the value of one of its two parcels should be reduced from the original value of $40,258,287 to $18,000,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 60% of the contested value.

[7] FS San Ysidro LLC contests that the value of 3 of its 5 parcels should be reduced by $4,324,822. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 92% of the contested value.

F. Supplemental Taxes, Delinquencies, Penalties, Interest

Supplemental property taxes are a result of change in ownership of property or new construction. They are based on the difference between the prior year value and the new value and can represent either a positive or negative impact to the total value. They are allocated to the Agency throughout the year and included in the ten apportionments made each year to the Agency by the Auditor Controller. The history of supplemental tax receipts for each Project Area is shown in Table 5.

Tax increment payments can also be adjusted due to roll corrections, delinquencies, penalties, and interest. Property taxes on assessed valuations that are reduced due to later assessment appeals result in refunds for the taxes paid based on the original value. The historical amounts of these adjustments are also shown in Table 5.

TABLE 5
ALLOCATION ADJUSTMENTS [1]

Year	City Heights Total Adjustments	Crossroads Total Adjustments	Naval Training Center Total Adjustments	North Bay Total Adjustments	North Park Total Adjustments	San Ysidro Total Adjustments	Grand Total Adjustments
1998-1999	NA	NA	NA	NA	NA	($2,889.29)	($2,889.29)
1999-2000	$144,816.50	NA	($2.10)	$51,517.55	$41,273.49	$40,752.90	$278,358.34
2000-2001	$429,177.76	NA	$20.61	$261,897.22	$164,443.34	$319,520.94	$1,175,059.87
2001-2002	$677,328.51	NA	$0.00	$305,181.65	$310,853.86	$196,165.67	$1,489,529.69
2002-2003	$1,172,718.85	NA	$370,701.67	$56,919.45	$407,784.12	$219,016.48	$2,227,140.57
2003-2004	$1,248,250.60	NA	$460,901.32	$364,054.77	$485,299.71	$214,740.25	$2,773,246.65
2004-2005	$2,108,155.59	$224,329.72	$751,706.27	$498,950.90	$863,785.94	$293,547.35	$4,740,475.77
2005-2006	$2,092,879.60	$759,397.48	$557,829.46	$488,553.61	$868,654.30	$728,792.49	$5,496,106.94
2006-2007	$1,297,024.31	$698,375.01	$310,254.44	$1,476,053.67	$656,772.77	$385,283.33	$4,823,763.53
2007-2008	$1,260,936.99	$452,191.61	$253,078.57	$698,853.21	$1,066,592.16	$232,266.97	$3,963,919.51
2008-2009	$237,229.06	$136,519.78	$488,818.66	$569,339.86	$468,269.05	$1,209,620.44	$3,109,796.85

[1] Based on information in the Agency Trust Fund Summary, prepared by the County of San Diego Auditor-Controller. Includes adjustments for the supplemental roll, roll corrections, refunds, and delinquencies/penalties.

G. Historical Receipts to Levy

The historical percentage of tax receipts to the actual amount of taxes levied for each project area is shown in Table 6. Please note that the total tax receipts collected often exceed the amount levied due to collection of penalties and interest.

TABLE 6
HISTORIC RECEIPTS TO LEVY ANALYSIS

Fiscal Year Ending:	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
City Heights										
Total Computed Levy	84,226	774,121	1,946,736	3,512,452	4,955,322	6,881,617	9,348,291	11,689,222	13,470,397	14,129,880
Total Receipts	282,794	1,172,441	2,598,834	4,469,326	5,999,105	8,876,669	11,256,888	12,671,073	14,228,186	13,844,720
Surplus/(Shortfall)	198,568	398,320	652,098	956,874	1,043,783	1,995,052	1,908,598	981,851	757,789	(285,160)
% Difference of Computed Levy	335.76%	151.45%	133.50%	127.24%	121.06%	128.99%	120.42%	108.40%	105.63%	97.98%
Crossroads										
Total Computed Levy	NA	NA	NA	NA	NA	998,623	2,104,445	3,148,209	3,943,872	4,281,791
Total Receipts	NA	NA	NA	NA	NA	1,207,959	2,828,739	3,769,976	4,255,951	4,266,111
Surplus/(Shortfall)	NA	NA	NA	NA	NA	209,335	724,294	621,766	312,079	(15,680)
% Difference of Computed Levy	NA	NA	NA	NA	NA	120.96%	134.42%	119.75%	107.91%	99.63%
Naval Training Center										
Total Computed Levy	NA	NA	NA	110,002	1,111,245	1,971,435	3,385,926	3,889,727	3,870,265	4,540,455
Total Receipts	NA	NA	NA	489,977	1,465,190	2,698,119	3,886,310	4,100,768	3,983,863	4,870,638
Surplus/(Shortfall)	NA	NA	NA	379,975	353,945	726,684	500,384	211,041	113,598	330,183
% Difference of Computed Levy	NA	NA	NA	445.43%	131.85%	136.86%	114.78%	105.43%	102.94%	107.27%
North Bay										
Total Computed Levy	1,081,822	1,414,862	1,874,927	2,358,867	2,867,213	3,411,072	4,199,097	5,938,287	7,768,280	8,542,400
Total Receipts	933,195	1,656,437	2,135,793	2,546,150	3,218,779	3,857,335	4,613,034	7,222,032	8,195,361	8,811,501
Surplus/(Shortfall)	(148,627)	241,575	260,866	187,283	351,566	446,262	413,937	1,283,745	427,081	269,100
% Difference of Computed Levy	86.26%	117.07%	113.91%	107.94%	112.26%	113.08%	109.86%	121.62%	105.50%	103.15%
North Park										
Total Computed Levy	408,998	759,656	1,212,510	1,542,431	2,144,341	3,196,638	4,510,370	5,336,773	7,113,932	7,467,705
Total Receipts	445,221	912,867	1,498,177	2,078,180	2,610,446	3,711,294	4,889,797	5,860,397	7,930,701	7,671,766
Surplus/(Shortfall)	36,223	153,211	285,667	535,750	466,106	514,756	379,427	523,624	816,769	204,061
% Difference of Computed Levy	108.86%	120.17%	123.56%	134.73%	121.74%	116.10%	108.41%	109.81%	111.48%	102.73%
San Ysidro										
Total Computed Levy	113,476	276,309	1,019,681	1,287,258	1,549,870	1,756,234	2,572,005	3,524,734	3,824,847	5,770,286
Total Receipts	150,714	592,067	1,370,428	1,498,609	1,747,607	2,032,658	3,256,436	3,823,632	3,920,010	6,780,684
Surplus/(Shortfall)	37,238	315,758	350,747	211,351	197,737	276,423	684,431	298,898	95,162	1,010,398
% Difference of Computed Levy	132.82%	214.28%	134.40%	116.42%	112.76%	115.74%	126.61%	108.48%	102.49%	117.51%
Grand Total										
Total Computed Levy	1,688,523	3,224,947	6,053,854	8,811,010	12,627,990	18,215,520	26,120,134	33,526,954	39,991,593	44,732,517
Total Receipts	1,811,924	4,333,812	7,603,232	11,082,243	15,041,127	22,384,033	30,731,205	37,447,878	42,514,071	46,245,419
Surplus/(Shortfall)	123,401	1,108,865	1,549,377	2,271,233	2,413,137	4,168,513	4,611,071	3,920,925	2,522,478	1,512,903
% Difference of Computed Levy	107.31%	134.38%	125.59%	125.78%	119.11%	122.88%	117.65%	111.69%	106.31%	103.38%

H. ASSESSMENT APPEALS

As discussed in more detail in each of the six Reports, DTA researched the pending and recently resolved assessment appeals to determine how tax refunds as a result of appeals might reduce the tax increment received by the Agency from the Project Areas.

During Fiscal Year 2006-2007, a total of 31 appeals with an assessed value of $26,143,667 were filed for properties within the six Project Areas as shown in Table 7. Eight appeals were resolved with no change in value. The remaining 23 appeals with a total Fiscal Year 2006-2007 assessed value of $22,796,199 were resolved with a total reduction in value of $7,499,299 for Fiscal Year 2006-2007, a 32.90% decline.

TABLE 7
FY 2006-2007 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	0	0	0	$0	$0	$0	$0	0.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	30	13	NA	$24,693,667	$14,174,596	$17,344,368	-$7,349,299	-29.76%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	1	1	NA	$1,450,000	$1,150,000	$1,300,000	-$150,000	-10.34%
Total FY 2006-2007 Pending and Resolved Appeals	31	14	NA	$26,143,667	$15,324,596	$18,644,368	-$7,499,299	-28.68%

During Fiscal Year 2007-2008, a total of 169 appeals were filed for properties within the

Project Areas as shown in Table 8. Twenty-seven appeals were resolved with no change in value. The remaining 140 appeals with a total Fiscal Year 2007-2008 assessed value of $147,518,698 were resolved with a total reduction in value of $23,935,278 for Fiscal Year 2007-2008, a 16.23% decline.

For the remaining two pending appeals (both parcels in City Heights) for Fiscal Year 2007-2008 with a combined total Fiscal Year 2007-2008 assessed value of $738,276, DTA has estimated a total reduction of $147,655 which represents 20.00% of the contested value.

TABLE 8
FY 2007-2008 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	2	0	2	$738,276	$295,815	$590,621	-$147,655	-20.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	151	134	NA	$98,167,882	$69,213,967	$82,211,305	-$15,956,577	-16.25%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	16	14	NA	$59,355,435	$39,414,428	$51,376,734	-$7,978,701	-13.44%
Total FY 2007-2008 Pending and Resolved Appeals	169	148	NA	$158,261,593	$108,924,210	$134,178,660	-$24,082,933	-15.22%

During Fiscal Year 2008-2009, a total of 961 appeals were filed for the properties within the Project Areas as shown in Table 9. Forty-nine appeals were resolved with no change in value for Fiscal Year 2008-2009. In addition, 621 appeals with a total Fiscal Year 2008-2009 assessed value of $615,359,579 were resolved with a total reduction in value of $81,136,938 for Fiscal Year 2008-2009, a 13.19% decline.

For the remaining 291 pending appeals (parcels are located within all of the Project Areas except for the Naval Training Center Project Area) for Fiscal Year 2008-2009 with a combined total Fiscal Year 2008-2009 assessed value of $166,191,212, DTA has estimated a total reduction of $21,147,730 which represents 12.72% of the contested value.

TABLE 9
FY 2008-2009 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	291	272	271	$166,191,212	$109,904,502	$145,043,481	-$21,147,731	-12.72%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	507	506	NA	$198,326,015	$138,271,208	$158,854,048	-$39,471,967	-19.90%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	163	155	NA	$433,125,357	$338,721,341	$391,460,386	-$41,664,971	-9.62%
Total FY 2008-2009 Pending and Resolved Appeals	961	933	NA	$797,642,584	$586,897,051	$695,357,915	-$102,284,669	-12.82%

During Fiscal Year 2009-2010, a total of 511 appeals were filed for properties within the Project Areas as shown in Table 10. Three appeals were resolved with no change in value for Fiscal Year 2009-2010. In addition, 27 appeals with a total Fiscal Year 2009-2010 assessed value of $128,559,759 were resolved with a total reduction in value of $41,635,030 for Fiscal Year 2009-2010, a 32.39% decline.

For the remaining 481 pending appeals (parcels are located within all six Project Areas) for Fiscal Year 2009-2010 with a combined total Fiscal Year 2009-2010 assessed value of $762,652,359, DTA has estimated a total reduction of $86,169,718 which represents 11.30%

of the contested value.

TABLE 10
FY 2009-2010 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	490	463	415	$862,068,322	$508,608,445	$742,099,903	-$119,968,419	-13.92%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	21	21	NA	$36,783,429	$23,619,920	$28,947,100	-$7,836,329	-21.30%
Total FY 2009-2010 Pending and Resolved Appeals	511	484	NA	$898,851,751	$532,228,365	$771,047,003	-$127,804,748	-14.22%

In summary, our appeals analysis shows that there has been a greater number of appeals filed by property owners over the last two years than in previous years. In addition, over the last year, there were more non-residential appeals being filed than in previous years. This increase in appeals filed with the County can be directly attributed to the downturn in the real estate market over the last two years. Furthermore, the County Assessor has proactively decreased values in certain areas and expects that the number of appeals filed should start declining going forward.

I. Aggregate Housing Tax Increment Projections

Exhibit A projects the aggregate housing tax increment to be generated by the six Project Areas through Fiscal Year 2047-2048.

DTA has estimated the future tax increment based on each Project Area's assessed valuation for Fiscal Year 2009-2010, utilizing the assumptions as stated in the six Reports regarding current adjustments to the increment.

For purposes of this analysis, we are using the Fiscal Year 2009-2010 County Assessor's secured assessed value, which is lower than the Auditor's secured value, to calculate the projected annual tax increment. As discussed in Section II.G above, we have included a reduction in value for pending assessment appeals and assessment appeals which were resolved after the Fiscal Year 2009-2010 Assessor's Roll was finalized.

As discussed in each of the six Reports, the projections are based on different estimated reductions in value for Fiscal Years 2010-2011 and 2011-2012 for each Project Area. We have then assumed no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter. Other than the 1% and 2% annual increases as described above, we are not showing the increase in values back to base values for any value reductions. Actual reductions or increases in assessed value will vary.

The real property value described above is added to the value of personal property, which includes secured and unsecured personal property within each Project Area less unsecured exemptions for Fiscal Year 2009-2010. The value of personal property is assumed to remain constant throughout the subsequent years.

Lastly, the incremental value is the difference between the total value and the base year value, and the tax rate used in the calculation of gross revenue for Fiscal Year 2009-2010 is the actual tax rate. This is assumed to decrease in subsequent years. Unitary revenue and administrative charges result in adjustments to the net tax increment, for which the assumptions were discussed previously.

J. LIMITATIONS

This Consolidated Report contains a projection of tax increment revenues to be received by the Agency. The report is based on estimates, assumptions and other information provided by the City, Agency, and developed from DTA's research and telephone discussions with County staff, as well as our understanding of County tax procedures. The sources of information and basis of the estimates are stated in each individual report. While we believe that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. In addition, since the analyses contained herein are based on legislation and County procedures, which are inherently subject to uncertainty and variation depending on evolving events and policy changes, DTA cannot represent that the results presented herein will be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved will vary from the projections.

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CITY HEIGHTS, CROSSROADS, NAVAL TRAINING CENTER, NORTH BAY, NORTH PARK, SAN YSIDRO
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:	2009 2010	2010 2011	2011 2012	2012 2013	2013 2014	2014 2015	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020	2020 2021	2021 2022	2022 2023
Housing Tax Increment Revenue [1]														
City Heights	2,126,019	1,816,422	1,705,032	1,703,410	1,792,230	1,829,713	1,867,571	1,905,807	1,944,425	1,983,430	2,062,220	2,142,585	2,224,558	2,308,171
Crossroads	621,556	520,491	460,738	460,738	479,910	494,542	509,321	524,247	539,322	554,549	585,306	616,678	648,677	681,317
Naval Training Center	917,265	891,287	882,690	882,690	891,201	899,797	908,479	917,248	926,104	935,049	953,118	971,548	990,347	1,009,521
North Bay	1,690,778	1,646,635	1,618,324	1,618,324	1,646,352	1,674,660	1,703,251	1,732,128	1,761,294	1,790,751	1,850,255	1,910,949	1,972,857	2,036,003
North Park	1,373,502	1,293,585	1,243,340	1,243,340	1,263,866	1,284,597	1,305,536	1,326,684	1,348,043	1,369,616	1,413,194	1,457,643	1,502,981	1,549,225
San Ysidro	992,385	883,124	834,424	834,424	846,112	857,917	869,840	881,882	894,045	906,329	931,144	956,455	982,272	1,008,605
Grand Total	7,721,504	7,051,545	6,744,548	6,742,926	6,919,671	7,041,226	7,163,997	7,287,995	7,413,233	7,539,724	7,795,236	8,055,857	8,321,691	8,592,842

[1] Different assumptions regarding annual changes to assessed value have been made based on project area specific factors. For additional detail regarding the tax increment projections, please see Exhibit A of the stand-alone Fiscal Consultant Reports.

CITY HEIGHTS, CROSSROADS, NAVAL TRAINING CENTER, NORTH BAY, NORTH PARK, SAN YSIDRO
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:	2023 2024	2024 2025	2025 2026	2026 2027	2027 2028	2028 2029	2029 2030	2030 2031	2031 2032	2032 2033	2033 2034	2034 2035	2035 2036	2036 2037
Housing Tax Increment Revenue [1]														
City Heights	2,393,455	2,480,445	2,569,175	2,659,680	2,751,995	2,846,156	2,942,200	3,040,165	3,140,090	3,242,012	3,285,356	3,390,184	3,497,109	3,606,173
Crossroads	714,609	748,567	783,204	818,534	854,571	891,329	928,821	967,063	1,006,071	1,045,858	1,086,441	1,127,836	1,170,059	1,213,126
Naval Training Center	1,029,080	1,049,029	1,069,378	1,090,133	1,111,303	1,132,897	1,154,923	1,177,389	1,200,305	1,223,679	1,247,520	1,271,838	1,296,643	1,321,944
North Bay	2,100,412	2,166,110	2,233,121	2,301,472	2,371,191	2,442,304	2,514,839	2,588,824	2,664,290	2,741,265	2,819,779	2,899,864	2,981,550	3,064,870
North Park	1,596,395	1,644,508	1,693,584	1,743,640	1,794,698	1,846,777	1,899,898	1,954,081	2,009,348	2,065,720	2,123,220	2,181,869	2,241,692	2,302,711
San Ysidro	1,035,465	1,062,862	1,090,807	1,119,311	1,148,385	1,178,041	1,208,289	1,239,143	1,270,614	1,302,714	1,335,456	1,368,853	1,402,918	1,437,664
Grand Total	8,869,416	9,151,521	9,439,269	9,732,771	10,032,143	10,337,503	10,648,970	10,966,666	11,290,717	11,621,248	11,897,772	12,240,445	12,589,971	12,946,487

[1] Different assumptions regarding annual changes to assessed value have been made based on project area specific factors. For additional detail regarding the tax increment projections, please see Exhibit A of the stand-alone Fiscal Consultant Reports.

CITY HEIGHTS, CROSSROADS, NAVAL TRAINING CENTER, NORTH BAY, NORTH PARK, SAN YSIDRO
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:	2037 2038	2038 2039	2039 2040	2040 2041	2041 2042	2042 2043	2043 2044	2044 2045	2045 2046	2046 2047	2047 2048
Housing Tax Increment Revenue [1]											
City Heights	3,717,417	3,830,887	3,946,625	4,064,679	4,185,094	4,307,917	0	0	0	0	0
Crossroads	1,257,054	1,301,861	1,347,565	1,394,182	1,441,732	1,490,232	1,539,703	1,590,163	1,641,632	1,694,131	1,747,679
Naval Training Center	1,347,750	1,374,073	1,400,923	1,428,309	1,456,243	1,484,736	1,513,798	1,543,442	1,573,678	1,604,520	1,635,978
North Bay	3,149,856	3,236,543	3,324,962	3,415,151	3,507,143	3,600,975	3,696,683	0	0	0	0
North Park	2,364,950	2,428,434	2,493,188	2,559,237	2,626,607	2,695,324	0	0	0	0	0
San Ysidro	1,473,105	1,509,255	1,546,128	1,583,738	1,622,101	0	0	0	0	0	0
Grand Total	13,310,134	13,681,053	14,059,391	14,445,296	14,838,919	13,579,183	6,750,184	3,133,605	3,215,311	3,298,651	3,383,657

[1] Different assumptions regarding annual changes to assessed value have been made based on project area specific factors. For additional detail regarding the tax increment projections, please see Exhibit A of the stand-alone Fiscal Consultant Reports.

EXHIBIT B

CITY HEIGHTS

FISCAL CONSULTANT REPORT
CITY HEIGHTS REDEVELOPMENT PROJECT AREA

Prepared for

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
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A. TAX INCREMENT REVENUE PROJECTION

I. INTRODUCTION

The Redevelopment Agency of the City of San Diego (the "Agency") anticipates issuing three series of Tax Allocation Bonds in the summer of 2010 to be secured by tax increment revenues from the City Heights Redevelopment Project Area (the "Project Area") as explained in Section I.C below. David Taussig & Associates, Inc. ("DTA") has prepared this Fiscal Consultant Report (the "Report") to project tax increment revenues generated by the increase in assessed value of real and personal property within the Project Area. In addition, the Report describes the methodology and assumptions utilized in these projections, evaluating the historic and current taxable values, the projected values of new construction, the effects of pending assessment appeals, and the property tax collection and allocation procedures of the County of San Diego (the "County").

A. City Heights Project Area Background

The Ordinance approving the Redevelopment Plan (the "Plan") for the Project Area was adopted by the City Council of the City of San Diego on May 11, 1992 (accomplished by Ordinance No. 0-17768) and subsequently amended on April 16, 1996 (the "First Amendment"). The main purpose of establishing the Plan was to eliminate conditions of blight in the Project Area. In accordance with this purpose, the objectives of the Plan included the enhancement of positive characteristics of the neighborhoods in the Project Area and promotion of new projects within the Project Area.

The Plan will remain in effect until forty (40) years from the date of adoption. Pursuant to subdivision (a) of Section 33333.6 of the Health and Safety Code, the time limit on the establishment of loans, advances, and bonded indebtedness to be funded through tax increment revenues is twenty (20) years from the adoption of the Plan. Also, total outstanding bonded indebtedness of the Project Area to be repaid by the allocation of taxes to the Agency is not to exceed $160 million at any point in time. In accordance with subdivisions (a) and (b) of Section 33333.6 of the Health and Safety Code, the time limit for the receipt of tax increment revenues is fifty (50) years. Please note that the Agency and the City of San Diego adopted Ordinance 0-19510 in July 2006 extending (i) the plan effectiveness deadline to 2033, (ii) repayment of indebtedness deadline to 2043, and (iii) tax increment receipt deadline by an additional year.

The Redevelopment Plan of the Project was adopted on May 11, 1992, and subsequently amended on April 16, 1996, to remove territory and decrease the dollar amounts of both the bonded indebtedness limit and the tax increment limit. The current limits are shown below:

Ordinance Adopted	Tax Increment Collection Limit	Amount of Tax Increment Collected to Date	Tax Increment Collection Limit	Maximum Amount of Bonded Indebtedness	Maximum Time Allowed to Incur Bonded Indebtedness
May 11, 1992 [1]	51 Years [2]	$75,400,035 [3]	$713,000,000	$160 Million	20 Years from Adoption of Plan

[1] The Project Area is a pre-AB 1290 redevelopment project area.
[2] The time limit for the repayment of indebtedness is also 51 years.
[3] Total receipts for Fiscal Year 2004-2005 through 2008-2009 as shown in Table 10.

The Project Area is administered by the City Redevelopment Division of the City Planning and Community Investment Department. The Project Area encompasses approximately 2,000 acres of land, located 5 miles from San Diego's central business district and 6 miles from the airport and port. Land uses in the Project Area include residential, commercial, and a small portion of public and/or other uses. The Project Area is bounded by Meade and Monroe Avenues on the north, Euclid Avenue and 54th Street on the east, Home Avenue on the south and Interstate 805 on the west.

B. Comprehensive Affordable Housing Collaborative

In 2006 the Agency approved the pooling of the housing set-aside funds from the Redevelopment Division's eleven project areas for an Affordable Housing Opportunity Program to provide greater flexibility in financing affordable housing projects throughout the City of San Diego. In July 2007, the Agency approved four separate non-revolving housing lines of credit with San Diego National Bank in an aggregate amount of $34 million secured by the housing set-aside funds from four project areas: City Heights ($11 million); Naval Training Center ($7.1 million); North Bay ($8.6 million); and North Park ($7.3 million). Of the $34 million, $29 million was allocated to the Affordable Housing Opportunity Program, including City Heights' $11 million. The Affordable Housing Opportunity Program has provided approximately $26 million for affordable housing projects in the North Park, San Ysidro, Barrio Logan, Crossroads, and City Heights project areas.

Housing proceeds from the Series 2010 Bonds not needed for housing programs or developer repayments in the Project Area will be available for projects in other project areas through the Comprehensive Affordable Housing Collaborative Program.

C. Proposed Series 2010 Bonds

The Agency anticipates issuing three series of tax allocation bonds in the summer of 2010: one stand-alone taxable series secured by non-housing tax increment revenues, one stand-alone tax-exempt series secured by non-housing tax increment revenues, and one pooled taxable series secured by housing tax increment revenues from the Project Area and the Crossroads, Naval Training Center, North Bay, North Park, and San Ysidro project areas.

The taxable proceeds of the stand-alone bonds supported by non-housing tax increment are expected to be used for repayment of developer loans, private improvements, acquisition,

rehabilitation, façade enhancement, new construction or opportunity purchases in the Project Area. The tax-exempt proceeds of the stand-alone bonds will be used for public improvements. The proceeds of the pooled housing bonds are expected to be used for repaying bank lines of credit and to finance a portion of the costs for low and moderate income affordable housing projects within or of benefit to the project areas listed above.

D. Current Uses of Tax Increment Revenues

The following items represent current uses of annual net tax increment revenues after payments are made to tax-sharing agencies.

1. Existing City Heights Tax Allocation Bonds

In 1999, the Agency issued Series 1999A Tax Allocation Bonds and Series 1999B Tax Allocation Capital Appreciation Bonds for the City Heights Redevelopment Project Area in the amount of $5,690,000 and $10,140,523, respectively. The Series 1999 Bonds are to be repaid solely from non-housing tax increment revenues.

In December 2003, the Agency issued Housing Set-Aside Tax Allocation Bond Series A (Taxable) and Series B (Tax–Exempt) for the City Heights Redevelopment Project Area in the amounts of $4,955,000 and $865,000, respectively. The Series 2003 Bonds are to be repaid solely from housing set-aside funds.

Housing set-aside funds for the Project Area will be used to pay the existing Series 2003 tax allocation bonds prior to the payment of debt service on the proposed Series 2010 Bonds. Non-housing funds for the Project Area will be used to pay the existing Series 1999 tax allocation bonds on parity with the payment of debt service on the proposed Series 2010 Bonds.

2. Agency Debt to the City

a. Community Development Block Grant Program

In 2008, the Office of Inspector General ("OIG") of the HUD audited the City's Community Development Block Grant ("CDBG") program and issued a report to HUD which recommended, among others, that the City initiate repayment plans for CDBG loans to the Agency. City and Agency staff worked with HUD representatives over the past year to develop a plan to address the OIG's report and have agreed upon a 10 year schedule of repayment to the San Diego CDBG Program. A February 2010 report to the Agency Board and the City Council recommended that staff be directed to prepare a CDBG Loan Repayment Agreement between the Agency and the City for future Board and City Council approval. It was also recommended that the terms of the proposed Repayment Agreement include the following provisions, among others: 1) that all repayments made by the Agency pursuant to the Repayment Agreement and all obligations and any indebtedness of the Agency to the City created by the Repayment Agreement

shall be subordinate to any pledge of tax increment to bond holders of any tax allocation bonds which have been or may be issued by the Agency; and 2) that repayments by the Agency may be made using tax increment funds, land proceeds, or other revenues of the Agency.

The total amount of outstanding CDBG loans for the Project Area as of June 30, 2009 is approximately $4.57 million, of which approximately $2.14 million is principal. Loans from the City were provided in the years preceding and immediately following the adoption of the Project Area, to pay the costs associated with adoption and administration of the Project Area until a sufficient stream of tax increment revenue was generated.

b. NON-CDBG DEBT

Non-CDBG debt includes loans from the City's sales tax, capital outlay, TransNet (transportation), and general funds and U.S. Department of Housing and Urban Development 108 loans. The City participated in redevelopment activities in the Project Area and North Bay project area by contributing City parcels of land and/or right-of-way (capital outlay). The estimated value of the land is carried as an interest-bearing loan from the City to the Agency. In addition, the City invested TransNet funds for transportation improvements such as street improvements and medians in the Project Area. The City's funding of these project areas was recorded as interest bearing loans to the Agency.

The Project Area has approximately $11.3 million in outstanding non-CDBG related debt to the City as of June 30, 2009, of which approximately $6.4 million is principal. Loans from the City were provided in the years preceding and immediately following the adoption of the Project Area, to pay the costs associated with adoption and administration of the Project Area until a sufficient stream of tax increment revenue was generated.

3. SECOND IMPLEMENTATION AGREEMENT (IN-LIEU PAYMENT)

The Agency and Urban Village Commercial LLC, now owned by San Diego Revitalization Corporation ("SDRC"), have entered into an agreement that requires SDRC, the owner of Parcel 1 (assessor parcel 471-552-34), to pay to the Agency an annual In-Lieu Payment if such property becomes exempt from real property taxation. The In-Lieu Payment shall equal the tax amount of the 1% property taxes that would have been payable by such property if it were not exempt from the tax.

The total maximum amount of the In-Lieu Payment for any fiscal year shall not exceed $200,000 beginning in Fiscal Year 2003-2004, which will increase on July 1, 2004 and each July 1 thereafter by 2% of the maximum amount for the previous fiscal year.

According to the agreement, the In-Lieu Payment revenue will be included when

calculating the Low and Moderate Income Housing Set Aside, but will not be subject to the tax-sharing agreements mentioned in Section III below. For Exhibit A, we have assumed that the parcel becomes exempt in Fiscal Year 2010-2011. Pursuant to the Second Implementation Agreement, we have projected the In-Lieu Payments through Fiscal Year 2032-2033 at which point the agreement terminates.

II. PROJECT TAXABLE VALUES

The County of San Diego Assessor (the "Assessor") determines the assessed valuations of real and personal property in the Project Area. The secured roll is the County Assessor's roll, which contains real property for which ad valorem taxes are secured by a lien on the property, and the unsecured roll contains business personal property, for which ad valorem taxes are not secured by a lien. The County assigns values to each Assessor's Parcel, which is listed in turn by an Assessor's Parcel Number ("APN"). The County Assessor releases the equalized County Assessor's roll on or prior to the first of July of each Fiscal Year. At this time, the Auditor Controller compiles the tax roll based on this information. The Auditor Controller assigns each APN to a Tax Rate Area ("TRA"), which is a geographic area containing Assessor's Parcels with the same tax rates. The Project Area includes one TRA: 08-241. The Auditor Controller is responsible for combining the assessed values provided by the Assessor for all APNs within the Project Area and releasing a report each July showing the secured and unsecured values for the current and base year as well as the incremental value for the entire Project Area.

Based on discussions with the County Auditor and County Assessor, there are discrepancies in the total net assessed values provided by each agency due to procedural differences and timing of obtaining the data. Please note that Table 1 is based on values provided by the County Auditor. Since the County Assessor's secured values are lower than the Auditor's values, we have conservatively used the lower secured values in Tables 2, 3, 11, and 12 and the tax increment projections in Tables 13 and Exhibit A. The secured assessed values shown in Tables 13 and Exhibit A are based on the County Assessor assessed values and the unsecured assessed values shown in these tables are based on the County Auditor values. Please note that the Fiscal Year 2009-2010 assessed values shown herein are dated as of January 1, 2009.

A. Historic Taxable Values

DTA researched historic secured and unsecured taxable values in the Project Area for Fiscal Years 1999-2000 through 2006-2007. These values, which are based on information provided by the County of San Diego Auditor/Controller are shown in Table 1. As listed in the table, the Fiscal Year 1999-2000 base year value for the Project Area is approximately $1 billion following adjustments downward of $13.6 million and $3.9 million made by the County in Fiscal Year 2004-2005 and Fiscal Year 2005-2006, respectively. The total secured and unsecured value for the Project Area has risen from nearly $1.03 billion for Fiscal Year 1999-2000 to over $2.17 billion for Fiscal Year 2009-2010, an increase of approximately 111%.

As shown in Table 1 below, assessed values for property located within the Project Area experienced double-digit percentage increases from Fiscal Year 2000-2001 through Fiscal Year 2007-2008. Much of this annual increase can be attributed to value changes due to changes in ownership and new development which resulted in the construction of approximately 509 new residential units since Fiscal Year 2004-2005.

In Fiscal Year 2009-2010, property located within the Project Area experienced a decline in value of approximately 17% from Fiscal Year 2008-2009. Most of the reduction in value was due to assessment appeals and Proposition 8 reductions made by the County Assessor. Please

see Section II.D.2 below for more information regarding the decline in value for Fiscal Year 2009-2010.

TABLE 1
HISTORICAL TAX INCREMENT VALUES [1]

	FY 1999-2000 Taxable Value	FY 2000-2001 Taxable Value	FY 2001-2002 Taxable Value	FY 2002-2003 Taxable Value	FY 2003-2004 Taxable Value	FY 2004-2005 Taxable Value	FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	FY 2008-2009 Taxable Value	FY 2009-2010 Taxable Value
Secured Values [2]											
Land	$513,731,399	$544,150,577	$597,676,005	$651,186,363	$718,066,722	$808,186,825	$954,331,852	$1,098,624,619	$1,237,439,530	$1,277,126,102	$1,126,605,838
Improvement	530,228,421	572,461,560	628,517,349	719,451,309	816,902,776	935,496,965	1,034,147,857	1,135,797,730	1,181,724,885	1,225,944,644	1,155,644,029
Personal Property	1,725,572	1,744,670	1,169,528	746,160	1,349,268	967,570	898,966	779,701	787,089	895,436	244,746
Gross Value	1,045,685,392	1,118,356,807	1,227,362,882	1,371,383,832	1,536,318,766	1,744,651,360	1,989,378,675	2,235,202,050	2,419,951,504	2,503,966,182	2,282,494,613
Less Exemptions	(31,489,443)	(43,086,650)	(44,494,292)	(49,927,599)	(59,296,890)	(72,662,714)	(78,152,984)	(90,345,158)	(101,794,576)	(117,477,669)	(139,471,633)
Total Secured	**1,014,195,949**	**1,075,270,157**	**1,182,868,590**	**1,321,456,233**	**1,477,021,876**	**1,671,988,646**	**1,911,225,691**	**2,144,856,892**	**2,318,156,928**	**2,386,488,513**	**2,143,022,980**
Unsecured Values [2]											
Land	0	0	0	0	0	0	0	0	0	0	0
Improvement	6,029,314	6,475,812	4,775,076	6,504,116	7,857,612	8,203,384	12,627,198	13,159,493	11,458,780	14,437,005	13,917,524
Personal Property	11,729,284	12,393,628	13,303,038	15,104,288	19,779,229	18,107,114	18,957,365	19,416,317	21,017,336	20,775,942	20,065,147
Gross Value	17,758,598	18,869,440	18,078,114	21,608,404	27,636,841	26,310,498	31,584,563	32,575,810	32,476,116	35,212,947	33,982,671
Less Exemptions	(543,891)	(574,461)	(908,619)	(122,225)	(801,222)	(1,016,459)	(3,554,007)	(4,763,345)	(3,492,981)	(6,015,024)	(5,526,336)
Total Unsecured	**17,214,707**	**18,294,979**	**17,169,495**	**21,486,179**	**26,835,619**	**25,294,039**	**28,030,556**	**27,812,465**	**28,983,135**	**29,197,923**	**28,456,335**
Total Secured and Unsecured	**1,031,410,656**	**1,093,565,136**	**1,200,038,085**	**1,342,942,412**	**1,503,857,495**	**1,697,282,685**	**1,939,256,247**	**2,172,669,357**	**2,347,140,063**	**2,415,686,436**	**2,171,479,315**
Percentage Change in Total Value	NA	6.03%	9.74%	11.91%	11.98%	12.86%	14.26%	12.04%	8.03%	2.92%	-10.11%
Base Year Value	**1,023,428,875**	**1,023,428,875**	**1,023,428,875**	**1,023,428,875**	**1,023,428,875**	**1,009,805,618** [3]	**1,005,885,605** [4]	**1,005,885,605**	**1,005,885,605**	**1,005,885,605**	**1,005,885,605**
Incremental Value	**7,981,781**	**70,136,261**	**176,609,210**	**319,513,537**	**480,428,620**	**687,477,067**	**933,370,642**	**1,166,783,752**	**1,341,254,458**	**1,409,800,831**	**1,165,593,710**
Percentage Change in Incremental Value	NA	778.70%	151.81%	80.92%	50.36%	43.10% [5]	35.77% [5]	25.01%	14.95%	5.11% [6]	-17.32% [6]

[1] Assessed values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] Based on information provided by the County of San Diego Auditor/Controller as indicated in report "Val File-04 PSVVP70@".
[3] Base value was adjusted downward by $13.6 million in FY 2004-2005 due to property acquisitions by the San Diego Unified School District for new school sites.
[4] Base value was adjusted downward by $3.9 million in FY 2005-2006 due to property acquisitions by the San Diego Unified School District for new school sites.
[5] Percentage change in annual incremental value would be impacted by changes in the base year value.
[6] Additional information regarding the slower rate of increase or decrease in the overall total value can be found in Table 8. Much of the reduction in value in Fiscal Year 2009-2010 was due to assessment appeals and Proposition 8 reductions.

Note: Table 1 is based on values provided by the Auditor while Tables 2, 3, 11, and 12 are based on values provided by the County Assessor. Based on discussions with the County Auditor/Controller and County Assessor, discrepancies in the total net assessed values are due to procedural differences and timing in obtaining exemption data.

B. Values by Land Use Type

The Project Area includes a combination of land uses based on an analysis of the Fiscal Year 2009-2010 Assessor's roll. This allocation indicates that 82.94% of the Project Area valuation is attributable to residential (including 56.92% of multifamily residential land use and 25.58% of single family residential land use), 15.91% of the value is attributable to commercial property (of which 5.25% is retail and 7.92% is office space), 0.77% is attributable to industrial property, 0.25% is attributable to institutional property, 0.08% is attributable to recreational property, and 0.05% is attributable to miscellaneous uses. The breakdown by land use type is shown in Table 2.

TABLE 2
FY 2009-2010 ASSESSED VALUE BY LAND USE

Land Use [1]	No. of Parcels [1]	Units	Secured Total Net Assessed Value [2]	Percent of Net Assessed Value
Residential Property (land use codes 07 through 19)				
Vacant Residential	176	0	$8,698,997	0.41%
Single-Family Residential	3,582	3,606	$542,231,690	25.58%
Multi-Family Residential	4,669	15,971	$1,206,234,366	56.92%
Miscellaneous	6	8	$605,639	0.03%
Subtotal	8,433	19,585	$1,757,770,692	82.94%
Commercial Property (land use codes 20 through 39)				
Office Space	399	NA	$167,814,006	7.92%
Retail	90	NA	$111,171,252	5.25%
Vacant Land	72	NA	$11,956,766	0.56%
Other Uses	100	NA	$46,308,870	2.19%
Subtotal	661	NA	$337,250,894	15.91%
Industrial Property (land use codes 40 through 49)	57	NA	$16,323,025	0.77%
Institutional Property (land use codes 70 through 79)	44	NA	$5,276,238	0.25%
Recreational Property (land use codes 80 through 84)	3	NA	$1,669,842	0.08%
Miscellaneous Use (land use codes 88 through 89 and 00)	2	NA	$1,054,089	0.05%
Total	**9,200**	**19,585**	**$2,119,344,780**	**100.00%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assesssor's Roll.
[2] Based on final FY 2009-2010 Assessor's Roll. Land use codes provided by the County Assessor.

C. Ten Major Assessees

Table 3 presents the top ten assessees from the Fiscal Year 2009-2010 equalized roll. The table shows the assessee name/owner, the land use of Assessor's Parcels under their ownership, the number of Assessor's Parcels under their ownership, the total net assessed valuation under their ownership, the percentage of the total Project Area assessed value represented by that owner's property, and the percentage of the total Project Area incremental value represented by the applicable owner's property.

As of May 10, 2010, all top ten assessees are current in the payment of their property taxes.

Five of the top ten assessees have filed assessment appeals for their property. Two of the appeals have been resolved with a total reduction in value of $3,386,354. The remaining three appeals have not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in Section II.D below. The reduced value is reflected in Table 13 and Exhibit A.

TABLE 3
FY 2009-2010 TOP TEN ASSESSEES

Owner	Land Use	No. of Parcels [1]	Secured Total Net Assessed Value [2]	Percent of Secured Total Net Value	Percent of Incremental Value [2]
BR Workforce LLC	Office/Store Buildings/Garage/Lot	2	$18,212,376	0.86%	1.56%
Urban Village Residential LLC	Multi-Family Residential	1	$18,067,269	0.85%	1.55%
American Stores Co LLC [3]	Grocery/Drug Store - Large Chain	1	$15,352,846	0.72%	1.32%
San Diego Ridge LLC [4]	Multi-Family Residential	1	$12,886,354	0.61%	1.11%
City Heights Retail Village [5]	Community Shopping Center	1	$10,438,474	0.49%	0.90%
Pearson Ford Properties [6]	Multi-Family Residential/Auto Sales/Service Agency/Auto Garage	10	$10,175,938	0.48%	0.87%
Prickett Family Trust 11-9-95	Multi-Family Residential	19	$9,439,396	0.45%	0.81%
Blue Corner Capital LLC [7]	Multi-Family Residential	3	$7,639,633	0.36%	0.66%
San Diego Revitalization Corp.	Office Buildings - Single-Family Residential	1	$7,626,845	0.36%	0.65%
RTC-1 LLC	Auto Sales/Service Agency	1	$7,353,000	0.35%	0.63%
Grand Total	**NA**	**40**	**$117,192,131**	**5.53%**	**10.05%**

SECURED TOTAL NET ASSESSED VALUE OF TOP 5 OWNERS:	**$74,957,319**
SECURED TOTAL NET ASSESSED VALUE OF TOP 10 OWNERS:	**$117,192,131**
SECURED TOTAL NET ASSESSED VALUE	**$2,119,344,780**
TOTAL TAX INCREMENT VALUE:	**$1,165,593,710**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL SECURED NET VALUE:	**3.54%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL TAX INCREMENT VALUE:	**6.43%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL SECURED NET VALUE:	**5.53%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL TAX INCREMENT VALUE:	**10.05%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assesssor's Roll.

[2] Based on final FY 2009-2010 Assessor's Roll.

[3] As shown in the Appeals section, American Stores Co LLC contests that the value of its parcel should be reduced to $11,514,000. The appeal was filed under the name Supervalu - Albertsons and has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[4] As shown in the Appeals section, San Diego Ridge LLC contested that the value of its parcel should be reduced to $8,376,130. The appeal was resolved with the County reducing the value of the parcel to $9,500,000 after the FY 2009-10 Assessor's Roll was finalized on 1/1/2009. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[5] As shown in the Appeals section, City Heights Retail Village contests that the value of its parcel should be reduced to $7,830,000. The appeal was filed under the name Supervalu - Albertsons and has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[6] As shown in the Appeals section, Pearson Ford Properties contests that the value of one of its ten parcels should be reduced from the original value of $552,037 to $220,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[7] As shown in the Appeals section, Blue Corner Capital LLC contested that the value of its three parcels should be reduced to $4,250,000. The appeal was resolved with the County with no reduction in value.

D. Assessment Appeals

1. Introduction

If a property owner believes that the assessed value of his/her property is inaccurate, an appeal may be filed with the County Assessment Appeals Board during the period between July and November of each fiscal year. A resolved appeal may produce a reduction in the original contested value and a refund to the property owner for overpaid property taxes. If the appeal is withdrawn, there is no change in the original value.

During a real estate market downturn, the market value of property may fall below the assessed value. Under State law, Proposition 8 allows property owners to apply for a temporary reduction in assessed value to match the current market value. As market values increase, the assessed property values will also increase up to the original assessed value (plus the annual California Consumer Price Index ("CPI") increase, not to exceed 2%, as stipulated by Proposition 13).

In addition, the County Assessor's office allows property owners to file a Proposition 8 reduction request to their area appraiser between January and May of each fiscal year in order to reduce the assessed value of their property without having to file an assessment appeal with the County Assessment Appeals Board, otherwise known as an informal review. The County Assessor's office provides this option to property owners in order to limit the number of assessment appeals requiring hearings before the County Assessment Appeals Board. In order to calculate the reduced assessed value, the area appraiser will use several variables, including the date of construction, land use type, and recent comparable sales from the surrounding area.

A property owner may file multiple appeals for one parcel (for the same or different fiscal year), resulting in a parcel having several appeals being reviewed by the County Assessment Appeals Board at any time. Based on discussions with the County Assessment Appeals Board, in cases where multiple appeals have been filed on one parcel, typically one appeal will be resolved and subsequent appeals will not result in further reductions of value. Therefore, for purposes of this analysis, DTA has assumed only one appeal resulted in a reduction in value, and subsequent pending appeals will result in no change in value.

As of March 8, 2010, there were 278 unresolved appeals for 267 parcels within the Project Area. Tables 4 through 7 show recent historical assessment appeals in the Project Area, providing the following information: fiscal year in which appeal was received, land use, owner/applicant name, number of parcels being appealed by owner/applicant, whether or not appeal is for Proposition 8, number of pending appeals included in our analysis (when multiple appeals have been filed on one parcel), the status of the appeal, the contested assessed value, the applicant's opinion of value, the proposed changed value for pending appeals or board approved value for resolved appeals, and the impact of the changed values.

2. APPEALS INFORMATION PROVIDED BY THE COUNTY

The County Assessor has provided the following information for inclusion in this Fiscal Consultant Report.

> For Fiscal Year 2009-2010, the County Assessor's office received approximately 32,000 applications County-wide for reductions of assessed values of real property during their "informal" review process (1/1/2009 – 5/30/2009) for such fiscal year. In addition to the 32,000 informal applications, the County Assessor's office was proactive and, on its own, reduced the assessed values for approximately 72,000 properties County-wide. Less than 3,500 of the 104,000 total reductions were for non-residential properties. When the County Assessor's office receives a large number of requests from a specific area, such as a condominium complex or subdivision of tract homes, the County Assessor may choose to review the entire complex or the entire tract.
>
> In addition to the 104,000 reductions discussed above, over 6,447 "formal" assessment appeal applications were received for Fiscal Year 2009-2010 during the County's formal review period (7/2/2009 – 11/30/2009) for such fiscal year. Because these appeals are going through the County's formal process, any reductions to value will take longer to appear on the tax roll than reductions made through the County's informal appeal process described above.
>
> For the Fiscal Year 2010-2011 roll, the County Assessor estimated a County-wide reduction in net assessed value of approximately 1.0% from the Fiscal Year 2009-2010 roll. This reduction is based on economic factors such as lower sales prices, reduced levels of new construction, Fiscal Year 2009-2010 appeals/reductions, as well as the 0.237% decline in the CPI which will be applied to all property subject to Proposition 13 (rather than the typical 2% annual increase). For Fiscal Year 2011-2012, the County Assessor estimates a County-wide reduction similar to Fiscal Year 2010-2011, based on historical trends.
>
> In order to estimate the magnitude of the Fiscal Year 2010-2011 change in value for the Project Area, DTA compared the Project Area reduction in value from Fiscal Year 2008-2009 to Fiscal Year 2009-2010 to the County-wide reduction in value for the same period. Based on discussions with the Agency, the Project Area is anticipated to experience declines that are significantly larger than the County-wide average due to project specific factors. Therefore, we have assumed a reduction in value of 8% and 3% for Fiscal Years 2010-2011 and 2011-2012, respectively. The chart below summarizes the reduction in assessed values and its impact on incremental value.

Fiscal Year	Approximate County-wide Change in Assessed Value [1]	Project Area Change in Assessed Value	Project Area Change in Incremental Value
Actual 2009-2010	-3%	-10%	-17%
Estimated 2010-2011	-1%	-8%	-15%
Estimated 2011-2012	-1%	-3%	-6%
[1] Based on information provided by the County of San Diego Assessor's Office.			

3. Historical Appeal Reductions

DTA researched the pending and recently resolved assessment appeals to determine how tax refunds as a result of appeals might reduce the tax increment received by the Agency from the Project Area.

For purposes of this analysis, DTA has excluded any appeals that were withdrawn by the applicant. In addition, DTA has assumed that pending appeals resulted in a reduced value equal to the greater of the applicant's opinion of value or 80% of the contested value. The estimated reduction for pending appeals is based on an analysis of resolved assessment appeal data for property in the Project Area, other project specific factors, and estimated County-wide value reductions going forward as explained in Section II.D.2 above.

4. Fiscal Year 2006-2007 Appeals

During Fiscal Year 2006-2007, a total of 14 appeals were filed in the Project Area as shown in Table 4. Eight appeals were resolved with no change in value for Fiscal Year 2006-2007. Six appeals with a total Fiscal Year 2006-2007 assessed value of $1,807,000 were resolved with a reduction in value of $332,000 for Fiscal Year 2006-2007.

TABLE 4
FY 2006-2007 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	*0*	*0*	*0*	*$0*	*$0*	*$0*	*$0*	*0.00%*
Resolved Appeals								
Residential								
INDIVIDUAL HOMEOWNERS	13	7	0	$3,704,468	$1,759,311	$3,522,468	($182,000)	-4.91%
Subtotal - Residential	13	7	NA	$3,704,468	$1,759,311	$3,522,468	($182,000)	-4.91%
Non-Residential		0	0	$0	$0	$0	$0	0.00%
IMAJINE LLC DBA MCDONALD'S	1	1	0	$1,450,000	$1,150,000	$1,300,000	($150,000)	-10.34%
Subtotal - Non-Residential	1	1	NA	$1,450,000	$1,150,000	$1,300,000	($150,000)	-10.34%
Pending Appeals	0	0	0	$0	$0	$0	$0	0.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	13	7	NA	$3,704,468	$1,759,311	$3,522,468	($182,000)	-4.91%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	1	1	NA	$1,450,000	$1,150,000	$1,300,000	($150,000)	-10.34%
Total FY 2006-2007 Pending and Resolved Appeals	14	8	NA	$5,154,468	$2,909,311	$4,822,468	($332,000)	-6.44%

5. Fiscal Year 2007-2008 Appeals

During Fiscal Year 2007-2008, a total of 63 appeals were filed in the Project Area as shown in Table 5. Eleven appeals were resolved with no change in value for Fiscal Year 2007-2008. Fifty appeals with a total Fiscal Year 2007-2008 assessed value of $22,608,757 were resolved with a total reduction in value of $3,836,757 for Fiscal Year 2007-2008.

For the remaining two pending appeals for Fiscal Year 2007-2008 with a combined total Fiscal Year 2007-2008 assessed value of $738,276, DTA has estimated a total reduction of $147,655 which represents 20.00% of the contested value as described in Section II.D.3 above.

TABLE 5
FY 2007-2008 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals								
Residential								
INDIVIDUAL HOMEOWNERS	2	0	2	$738,276	$295,815	$590,621	($147,655)	-20.00%
Subtotal - Residential	2	0	2	$738,276	$295,815	$590,621	($147,655)	-20.00%
Resolved Appeals								
Residential								
ALLEMOC PROPERTIES LLC	1	1	0	$1,045,500	$950,000	$825,000	($220,500)	-21.09%
MANUCHEHR KAMALI TAH KAJA DEVELOPMENT LLC	1	1	0	$946,764	$780,000	$780,000	($166,764)	-17.61%
INDIVIDUAL HOMEOWNERS	57	53	0	$23,758,852	$18,840,588	$20,341,175	($3,417,677)	-14.38%
Subtotal - Residential	59	55	NA	$25,751,116	$20,570,588	$21,946,175	($3,804,941)	-14.78%
Non-Residential		0	0	$0	$0	$0	$0	0.00%
IMPSON	1	1	0	$905,148	$800,000	$905,148	$0	0.00%
QUOC TRAN	1	1	0	$561,816	$540,000	$530,000	($31,816)	-5.66%
Subtotal - Non-Residential	2	2	NA	$1,466,964	$1,340,000	$1,435,148	($31,816)	-2.17%
Pending Appeals	2	0	2	$738,276	$295,815	$590,621	($147,655)	-20.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	57	53	NA	$24,764,513	$19,855,588	$21,226,323	($3,538,190)	-14.29%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	4	4	NA	$2,453,567	$2,055,000	$2,155,000	($298,567)	-12.17%
Total FY 2007-2008 Pending and Resolved Appeals	63	57	NA	$27,956,356	$22,206,403	$23,971,944	($3,984,412)	-14.25%

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 80% of the contested value. Actual resolved appeals in the project area since FY 2006-2007 resulted in an average reduction of 22%.

6. Fiscal Year 2008-2009 Appeals

During Fiscal Year 2008-2009, a total of 410 appeals were filed in the Project Area as shown in Table 6. Thirty-three appeals were resolved with no change in value for Fiscal Year 2008-2009. In addition, 303 appeals with a total Fiscal Year 2008-2009 assessed value of $137,354,490 were resolved with a total reduction in value of $34,957,238 for Fiscal Year 2008-2009.

For the remaining 74 pending appeals for Fiscal Year 2008-2009 with a combined total Fiscal Year 2008-2009 assessed value of $40,860,369, DTA has estimated a total reduction of $6,941,879 which represents 16.99% of the contested value as described in Section II.D.3 above.

TABLE 6
FY 2008-2009 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis [2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals								
Residential								
AMPHAVANNASOUK SOUK 2003	1	1	1	$346,376	$256,667	$277,101	($69,275)	-20.00%
BGPC LAS PALMAS LLC	1	1	1	$4,219,740	$2,000,000	$3,375,792	($843,948)	-20.00%
DION DEVELOPMENT INC	1	1	1	$272,728	$120,920	$218,182	($54,546)	-20.00%
HOLLYWOOD PARK APTS, LP	1	1	1	$2,451,708	$1,838,750	$1,961,366	($490,342)	-20.00%
PERIG PROPERTIES, LLC	2	2	2	$1,731,890	$1,012,274	$1,385,512	($346,378)	-20.00%
TANYA LOU CONSTELLATION INVESTMENT GROUP LLC	1	1	1	$59,603	$40,000	$47,682	($11,921)	-20.00%
INDIVIDUAL HOMEOWNERS [1, 2]	59	52	54	$22,959,751	$15,545,252	$19,563,811	($3,395,940)	-14.79%
Subtotal - Residential	66	59	61	$32,041,796	$20,813,863	$26,829,447	($5,212,349)	-16.27%
Non-Residential								
AMERICAN DRUG STORES INC.	4	4	4	$4,410,552	$3,100,000	$3,528,442	($882,110)	-20.00%
HOME/FAIRMOUNT REAL ESTATE HOLDINGS	1	1	1	$1,920,466	$1,500,000	$1,536,373	($384,093)	-20.00%
JOANNA NAWROSKI-WOZNIAK [1]	1	1	1	$832,269	$700,000	$700,000	($132,269)	-15.89%
KARI CHAU	1	1	1	$483,786	$100,000	$387,029	($96,757)	-20.00%
MAUCH SHAHNAZ	1	0	1	$1,171,500	$595,000	$937,200	($234,300)	-20.00%
Subtotal - Non-Residential	8	7	8	$8,818,573	$5,995,000	$7,089,043	($1,729,530)	-19.61%
Resolved Appeals								
Residential								
4113 43RD ST LLC	1	1	0	$939,168	$600,000	$600,000	($339,168)	-36.11%
CHAPPELL CREEK HOLDINGS LLC	1	1	0	$583,293	$325,000	$385,000	($198,293)	-34.00%
EAGLE 100, LLC	2	2	0	$1,683,178	$1,440,000	$1,440,000	($243,178)	-14.45%
FOLEY PROPERTY ASSETS LLC	3	3	0	$4,146,400	$2,795,000	$3,530,000	($616,400)	-14.87%
GOSPORT LLC	1	1	0	$1,413,720	$1,100,000	$1,100,000	($313,720)	-22.19%
ISLAMIC FOUNDATION OF SAN DIEGO	1	0	0	$645,500	$420,000	$420,000	($225,500)	-34.93%
TANYA LOU CONSTELLATION INVESTMENT GROUP LLC	3	3	0	$151,818	$120,000	$151,818	$0	0.00%
TB WRAPS INC	1	0	0	$965,000	$930,000	$930,000	($35,000)	-3.63%
T HUY INVESTMENT LLC	1	1	0	$905,760	$655,500	$655,500	($250,260)	-27.63%
TOMA INVESTMENTS, INC	1	1	0	$818,316	$485,000	$485,000	($333,316)	-40.73%
INDIVIDUAL HOMEOWNERS	316	315	0	$132,357,332	$91,646,596	$100,610,013	($31,747,319)	-23.99%
Subtotal - Residential	331	328	NA	$144,609,485	$100,517,096	$110,307,331	($34,302,154)	-23.72%
Non-Residential								
FRANCISCO & MARIA LOPEZ	2	2	0	$428,726	$287,245	$300,000	($128,726)	-30.03%
LABONTE GHISLAIN	1	1	0	$408,564	$225,000	$288,000	($120,564)	-29.51%
LEON PHAM	1	1	0	$1,353,038	$850,000	$1,190,000	($163,038)	-12.05%
REFUGIO IBARRA	1	1	0	$405,756	$300,000	$163,000	($242,756)	-59.83%
Subtotal - Non-Residential	5	5	NA	$2,596,084	$1,662,245	$1,941,000	($655,084)	-25.23%
Pending Appeals	74	66	69	$40,860,369	$26,808,863	$33,918,490	($6,941,879)	-16.99%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	241	241	NA	$81,465,279	$56,115,513	$62,833,216	($18,632,063)	-22.87%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	95	92	NA	$65,740,290	$46,063,828	$49,415,115	($16,325,175)	-24.83%
Total FY 2008-2009 Pending and Resolved Appeals	410	399	NA	$188,065,938	$128,988,204	$146,166,821	($41,899,117)	-22.28%

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 80% of the contested value. Actual resolved appeals in the project area since FY 2006-2007 resulted in an average reduction of 22%.
[2] A parcel may have multiple appeals filed by a property owner. For purposes of this analysis, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.

7. Fiscal Year 2009-2010 Appeals

During Fiscal Year 2009-2010, a total of 213 appeals were filed in the Project Area as shown in Table 7. Three appeals were resolved with no change in value for Fiscal Year 2009-2010. Eight appeals with a total Fiscal Year 2009-2010 assessed value of $10,896,385 were resolved with a total reduction in value of $4,991,018 for Fiscal Year 2009-2010.

For the remaining 202 pending appeals through Fiscal Year 2009-2010 with a combined total Fiscal Year 2009-2010 assessed value of $141,040,301, DTA has estimated a total reduction of $19,423,797 which represents 13.77% of the contested value as described in Section II.D.3 above.

TABLE 7
FY 2009-2010 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis [2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals								
Residential								
44TH & EL CAJON LLC C/O CVS REALTY CO	2	2	2	$889,153	$400,000	$711,322	($177,831)	-20.00%
BECAUSE OF GRACE LLC	1	1	1	$82,000	$68,000	$68,000	($14,000)	-17.07%
BGPC LAS PALMAS LLC [2]	1	1	0	$4,337,410	$3,190,000	$4,337,410	$0	0.00%
CHAPPELL CREEK HOLDINGS LLC [2]	1	1	0	$594,958	$289,967	$594,958	$0	0.00%
DOUBLE RP INVESTMENTS LLC, BLUE CORNER [2]	3	0	0	$7,639,633	$6,349,999	$7,639,633	$0	0.00%
FOLEY PROPERTY ASSETS LLC [2]	2	2	1	$2,963,128	$1,185,000	$2,541,128	($422,000)	-14.24%
HOMEQUITY FUNDING CORPORATION	2	2	2	$273,153	$90,000	$218,522	($54,631)	-20.00%
JAMR PROPERTIES LLC	2	2	2	$1,203,443	$749,998	$962,754	($240,689)	-20.00%
JJ ENTS LLC	1	1	1	$668,560	$434,500	$534,848	($133,712)	-20.00%
LAKESHORE CALIFORNIA 40, LP	1	1	1	$639,394	$447,579	$511,515	($127,879)	-20.00%
PATONY LLC	2	0	2	$242,000	$140,000	$193,600	($48,400)	-20.00%
PEARSON FORD PROPERTIES, LLC	1	1	1	$552,037	$220,000	$441,630	($110,407)	-20.00%
PERIG PROPERTIES [2]	2	2	0	$1,731,890	$945,868	$1,731,890	$0	0.00%
SAN DIEGO FAMILY HOUSING LLC	1	1	1	$3,567,747	$2,500,000	$2,854,198	($713,549)	-20.00%
TOMA INVESTMENT, INC. [2]	1	1	0	$834,681	$405,000	$834,681	$0	0.00%
WELLS FARGO BANK NA	1	1	1	$486,010	$100,000	$388,808	($97,202)	-20.00%
INDIVIDUAL HOMEOWNERS [1, 2]	157	153	138	$68,000,546	$45,512,339	$58,595,699	($9,404,847)	-13.83%
Subtotal - Residential	181	172	153	$94,705,743	$63,028,250	$83,160,597	($11,545,146)	-12.19%
Non-Residential								
3877 42ND STREET LLC	1	1	1	$764,694	$540,000	$611,755	($152,939)	-20.00%
44th & EL CAJON LLC [2]	2	2	0	$3,899,305	$3,100,000	$3,899,305	$0	0.00%
7-ELEVEN #13659 BOONE-YOUN FAMILY TRUST	1	1	1	$535,802	$400,000	$428,642	($107,160)	-20.00%
BANKIM SHAH	1	1	1	$614,314	$430,020	$491,451	($122,863)	-20.00%
CAJON EL	2	2	2	$1,664,638	$1,000,000	$1,331,710	($332,928)	-20.00%
DONALD WEISS	1	1	1	$589,923	$515,000	$515,000	($74,923)	-12.70%
DRAKE FAMILY 1987 TRUST	1	1	1	$709,552	$398,624	$567,642	($141,910)	-20.00%
FINEST CITY OIL CORP	1	0	1	$1,350,000	$163,816	$1,080,000	($270,000)	-20.00%
KACHI FAMILY TRUST	2	2	2	$681,929	$269,000	$545,543	($136,386)	-20.00%
NORMAN TIMINERI [1]	1	1	1	$4,281,876	$3,677,504	$3,677,504	($604,372)	-14.11%
PETROS HANAEE	1	1	1	$580,853	$400,000	$464,682	($116,171)	-20.00%
SHAH FAMILY TRUST	1	0	1	$520,200	$364,140	$416,160	($104,040)	-20.00%
SUPERVALU - ALBERTSONS [3]	2	0	2	$25,791,320	$19,344,000	$20,633,056	($5,158,264)	-20.00%
THAI INC [1]	2	2	2	$1,394,136	$1,219,000	$1,219,000	($175,136)	-12.56%
WELLS FARGO BANK [1]	1	1	1	$2,459,196	$2,177,000	$2,177,000	($282,196)	-11.48%
WILLIAM TO	1	1	1	$496,820	$260,000	$397,456	($99,364)	-20.00%
Subtotal - Non-Residential	21	17	19	$46,334,558	$34,258,104	$38,455,907	($7,878,651)	-17.00%

TABLE 7 CONTINUED
FY 2009-2010 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis [2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Resolved Appeals								
Residential								
BLUE CORNER CAPITAL LLC	3	3	0	$7,639,633	$4,250,000	$7,639,633	$0	0.00%
SAN DIEGO RIDGE, LLC	1	1	0	$12,886,354	$8,376,130	$9,500,000	($3,386,354)	-26.28%
DELBIANCO	1	1	0	$489,600	$400,000	$400,000	($89,600)	-18.30%
INDIVIDUAL HOMEOWNERS	9	9	0	$5,160,064	$3,531,240	$3,645,000	($1,515,064)	-29.36%
Subtotal - Residential	11	11	NA	$18,536,018	$12,307,370	$13,545,000	($4,991,018)	-26.93%
Pending Appeals	202	189	172	$141,040,301	$97,286,354	$121,616,504	($19,423,797)	-13.77%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	11	11	NA	$18,536,018	$12,307,370	$13,545,000	($4,991,018)	-26.93%
Total FY 2009-2010 Pending and Resolved Appeals	213	200	NA	$159,576,319	$109,593,724	$135,161,504	($24,414,815)	-15.30%
Grand Total - Pending Appeals				$145,637,870	$99,179,645	$119,124,539	($26,513,331)	-18.20%
Grand Total - Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll				$105,486,244	$74,976,542	$83,907,632	($21,578,612)	-20.46%
Grand Total - Resolved Appeals After Final FY 2009-2010 Assessor Roll				$87,573,428	$61,231,198	$66,005,115	($21,568,313)	-24.63%
GRAND TOTAL - Pending and Resolved Appeals				$338,697,542	$235,387,385	$269,037,286	($69,660,256)	-20.57%

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 80% of the contested value. Actual resolved appeals in the project area since FY 2006-2007 resulted in an average reduction of 22%.
[2] A parcel may have multiple appeals filed by a property owner. For purposes of this analysis, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.
[3] Based on final FY 2009-2010 assessor roll, parcels are owned by American Stores Co LLC and City Heights Retail Village LLC, but appeals were filed under the name Supervalu - Albertsons. Both owners are considered Top Ten Assessees and shown in Table 3.

8. Top Taxpayer Appeals

As indicated in Table 3, American Stores Co LLC, San Diego Ridge LLC, City Heights Retail Village, Pearson Ford Properties, and Blue Corner Capital LLC have appealed the assessed value for one or more Assessor's Parcels that they currently own.

American Stores Co LLC and City Heights Retail Village filed assessment appeals under the name Supervalu – Albertsons contesting that the Fiscal Year 2009-2010 assessed value of their parcels should be reduced to $19,344,000 from $25,791,320. These appeals have not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in Section II.D.3 above.

In addition, Pearson Ford Properties filed an assessment appeal for one of its ten parcels, contesting that the Fiscal Year 2009-2010 assessed value of its parcel should be reduced to $220,000 from $552,037. These appeals have not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in Section II.D.3 above.

San Diego Ridge LLC filed an assessment appeal contesting that the Fiscal Year 2009-2010 assessed value of its parcel should be reduced to $8,376,130 from $12,886,354; and Blue Corner Capital LLC filed an assessment appeal for all three of its parcels, contesting that the Fiscal Year 2009-2010 assessed value of its parcels should be reduced to $4,250,000 from $7,639,633. These appeals were resolved with the County reducing the total value to $9,500,000 after the Fiscal Year 2009-2010 Assessor's Roll was finalized. The reduced value is reflected in Table 13 and Exhibit A.

E. Projections of Total Assessed Values

Due to the fact that the current real estate market downturn may last for several years, we have estimated an annual reduction of assessed values through Fiscal Year 2011-2012. As discussed in Section II.D.2 above, we have assumed a reduction in value of 8% and 3% for Fiscal Years 2010-2011 and 2011-2012, respectively. We have then assumed no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter. However, we are not showing the increase in values back to base values for any value reductions other than the 1% and 2% annual increases as described above. It is important to note that the actual reduction to tax increment for future years may be higher or lower for a number of different reasons, including filing of additional appeals in future years.

III. PROJECT TAX INCREMENT REVENUE ALLOCATION

A. TAX RATES

Tax increment revenues in this analysis are calculated by applying the tax rate determined by the County Assessor to the annual incremental assessed value of the Project Area. The general ad valorem tax rate is $1 per $100 of assessed value. In addition to this rate, an override rate reflects the debt service for various agencies which have issued bonds in the Project Area. Pursuant to Section 33670 (e) of the Health and Safety Code, approved on November 8, 1988, tax increment revenues cannot be calculated using property taxes generated from voter-approved bonded indebtedness on or following January 1, 1989. Table 8 shows the Fiscal Year 2009-2010 rates in the Project Area, separating the override amounts attributed to bonded indebtedness by participating agencies which excludes those that started levying a charge after January 1, 1989. Thus, the Fiscal Year 2009-2010 tax rate used to calculate tax increment in the Project Area is $1.00930 per $100 of assessed value. DTA assumes a secured tax rate of $1.00 per $100 after Fiscal Year 2009-2010 as the override rates usually decline over time as values increase and bonded indebtedness is paid off.

TABLE 8
SUMMARY OF PARTICIPATING AND NON-PARTICIPATING AGENCIES

Participating Agencies [1]	FY 2008-2009 Rates for TRA 008-241 [3]	FY 2009-2010 Rates for TRA 008-241 (3]
	1.00000%	1.00000%
City of San Diego Zoological Exhibit	0.00500%	0.00500%
San Diego Unified Lease/Purchase	0.00000%	0.00000%
Metropolitan Water District	0.00430%	0.00430%
County Water Authority	0.00000%	0.00000%
Subtotal	1.00930%	1.00930%
Non-Participating Agencies [2]		
San Diego City Public Safety	0.00108%	0.00113%
San Diego Unified Bond Series 1999A	0.00788%	0.00868%
San Diego Unified Bond Series 2000B	0.00639%	0.00717%
San Diego Unified Bond Series 2001C	0.00734%	0.00824%
San Diego Unified Bond Series 2002D	0.00965%	0.01074%
San Diego Unified Bond Series 2003E	0.01411%	0.01514%
San Diego Unified Bond Series 1998F	0.00324%	0.00351%
San Diego Unified Bond Series 1998G	0.00440%	0.00496%
San Diego Unified Bond 2006 Series F-1	0.00458%	0.00464%
San Diego Unified Bond 2006 Series G-1	0.00425%	0.00362%
San Diego Community College Bond Series 2003A	0.00068%	0.00213%
San Diego Community College Bond Series 2003B	0.00840%	0.00917%
San Diego Community College Bond Prop N Series 2006A	0.00304%	0.00845%
San Diego Community College Bond Prop S Series 2009C	0.00000%	0.00507%
Grand Total	**1.08434%**	**1.10195%**

[1] Agencies that began levying an annual charge before January 1, 1989.
[2] Agencies that have been levying an annual charge after January 1, 1989.
[3] Tax rates based on information provided by the San Diego County Auditor/Controller.

B. Supplemental Taxes, Delinquencies, Penalties, Interest

Supplemental property taxes are a result of change in ownership of property or new construction. They are based on the difference between the prior year value and the new value and can represent either a positive or negative impact to the Project Area value. They are allocated to the Agency throughout the year and included in the ten apportionments made each year to the Agency by the Auditor Controller. The history of supplemental tax receipts in the Project Area is shown in Table 9. To be conservative, future supplemental assessments are not projected.

TABLE 9
ALLOCATION ADJUSTMENTS [1]

Year	Supplemental Roll	Roll Corrections	Refunds/ Adjustments	Delinquencies/Penalties	Total Adjustments
1999-2000 [2]	$157,437.66	($1,049.26)	($11,571.90)	$0.00	$144,816.50
2000-2001	$457,497.96	($2,480.27)	($29,845.49)	$4,005.56	$429,177.76
2001-2002	$716,256.48	($7,655.52)	($47,202.76)	$15,930.31	$677,328.51
2002-2003	$1,225,870.56	($11,138.80)	($78,834.92)	$36,822.01	$1,172,718.85
2003-2004	$1,306,426.84	($10,703.81)	($108,026.22)	$60,553.79	$1,248,250.60
2004-2005	$2,204,179.07	($14,182.59)	($153,101.64)	$71,260.75	$2,108,155.59
2005-2006	$2,163,982.71	($440.76)	($190,476.26)	$119,813.91	$2,092,879.60
2006-2007	$1,263,756.02	($447.84)	($147,957.39)	$181,673.52	$1,297,024.31
2007-2008	$1,067,119.91	$2,071.13	($122,010.74)	$313,756.69	$1,260,936.99
2008-2009	($93,964.72)	($27,278.44)	($168,420.70)	$526,892.92	$237,229.06

[1] Based on information in the Agency Trust Fund Summary, prepared by the County of San Diego Auditor-Controller.
[2] Fiscal Year 1999-2000 reflects the first year tax increment monies were collected.

Tax increment payments can also be adjusted due to roll corrections, delinquencies, penalties, and interest. Property taxes on assessed valuations that are reduced due to later assessment appeals result in refunds for the taxes paid based on the original value. The historical amounts of these adjustments are also shown in Table 9.

The historical percentage of tax receipts to the actual amount of taxes levied is shown in Table 10. Please note that the total tax receipts collected often exceed the amount levied due to collection of penalties and interest. The shortfall in Fiscal Year 2008-2009 can be attributed to delinquencies and lower revenues received by the Agency from the supplemental roll than in prior years.

TABLE 10
HISTORIC RECEIPTS TO LEVY ANALYSIS [1]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fiscal Year Ending:	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
I. Reported Assessed Value										
Total Project Value [2]	$1,031,410,656	$1,093,565,136	$1,200,038,085	$1,342,942,412	$1,503,857,495	$1,697,282,685	$1,939,256,247	$2,172,669,357	$2,347,140,063	$2,415,686,436
Less Base Value [3]	1,023,428,875	1,023,428,875	1,023,428,875	1,023,428,875	1,009,805,618	1,009,805,618	1,005,885,605	1,005,885,605	1,005,885,605	1,005,885,605
Incremental Value	7,981,781	70,136,261	176,609,210	319,513,537	494,051,877	687,477,067	933,370,642	1,166,783,752	1,341,254,458	1,409,800,831
Tax Rate	1.11065%	1.11046%	1.10928%	1.10820%	1.01177%	1.01080%	1.01020%	1.00970%	1.00950%	1.00930%
II. Gross Tax Increment	88,650	778,835	1,959,091	3,540,849	4,998,669	6,949,018	9,428,910	11,781,016	13,539,964	14,229,120
Unitary Revenue	0	0	1,159	1,103	1,623	1,643	1,653	4,198	30,728	31,630
County Administrative Expenses	(4,424)	(4,714)	(13,513)	(29,500)	(44,970)	(69,044)	(82,273)	(95,992)	(100,295)	(130,870)
Total Computed Levy	84,226	774,121	1,946,736	3,512,452	4,955,322	6,881,617	9,348,291	11,689,222	13,470,397	14,129,880
III. Total Receipts [4]	282,794	1,172,441	2,598,834	4,469,326	5,999,105	8,876,669	11,256,888	12,671,073	14,228,186	13,844,720
Surplus/(Shortfall)	198,568	398,320	652,098	956,874	1,043,783	1,995,052	1,908,598	981,851	757,789	(285,160)
% Difference of Computed Levy [4]	335.76%	151.45%	133.50%	127.24%	121.06%	128.99%	120.42%	108.40%	105.63%	97.98%

[1] Fiscal Year 1999-2000 reflects the first year tax increment monies were collected.
[2] Based on total secured and unsecured value for the Project provided by the San Diego County Auditor/Controller as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for Fiscal Year 2009-2010)
[3] Base value was adjusted downward by $13.6 million in FY 2004-2005 and by $3.9 million in FY 2005-2006.
[4] Actual receipts collected often exceed the amount levied due to penalties and interest collected by the Agency. The shortfall in Fiscal Year 2008-2009 can be attributed to delinquencies and lower revenues received by the Agency from the supplemental roll than in prior years.

C. Unitary Taxes

The State Board of Equalization ("SBE") establishes the taxable value of real and personal property of utilities, and since Fiscal Year 1988-1989, the values have been assessed as a Countywide unit. There are several qualifications to the unitary revenue disbursement: a taxing agency is entitled to receive the same amount of revenue as the previous year as well as an increase of up to 2%, unless unitary revenues decrease below a level adequate to provide each taxing agency with the same share as the prior year. In this case, the unitary revenues will be reduced pro rata to all agencies. The other component of unitary allocation is significant when the assessed valuation of unitary taxes increases by more than 2% in one year, in which case revenues are allocated according to the percentage that each taxing agency in the County receives for secured taxable values. As of Fiscal Year 1988-1989, when the allocation procedures changed, it was determined that a taxing agency that was created after Fiscal Year 1988-1989 was not entitled to receive unitary revenues. Due to the abovementioned procedure, no unitary revenues were received in years prior to the creation of the Project Area in 1992.

Unitary revenue for the Project Area received as of June 30, 2009 was $31,630. The Project Area received a proportion of the increased amount as it was entitled to receive a share of the revenues. Assuming that the unitary revenues will stay at a constant level in future years, DTA is conservatively estimating that the Project Area will continue to receive the same amount.

D. Administrative Charges

Senate Bills 2557 and 1559 allow counties to determine property tax administrative charges to local agencies in the proportion that is attributable to their property tax administrative costs to the County. The average administrative cost is 0.82% of gross incremental revenue.

DTA has conservatively estimated the charge for future years to be 1.00% of gross incremental revenue. Tables 13 and Exhibit A show the administrative charge as a deduction to the gross revenue in the Project Area.

E. Section 33676 Resolutions

Pursuant to Section 33676 of the Health and Safety Code, the City of San Diego, the Southern California Metropolitan Water District (the "MWD") and the San Diego County Water Authority (the "CWA") have elected to be allocated that portion of the tax increment revenues generated by the Project Area that are attributable to increases in their override tax rates, and/or increases in the assessed value of taxable property in the Project Area (limited to a maximum annual inflationary growth of 2% allowed by Article XIIIA of the California Constitution). However, since the City has suspended its receipt of payments due pursuant to Section 33676 for the term of the bonds (for purposes of this analysis, we have assumed that the term includes the Series 1999A, Series 1999B, 2003A, and 2003B bonds, as well as the proposed Series 2010 Bonds and any future bonds), the only reductions in available tax revenue will be the payments due to MWD and CWA.

The effect of the election by taxing entities to receive revenues generated by increases in the override tax rate does not affect DTA's tax increment projections because (as discussed in Section III.A above) only overrides in existence prior to January 1, 1989 are included. The effect of the allocation of taxes to the taxing entities can result in a reduction in the amount of revenue allocated to the Project Area. 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 2% 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 City receives 21% of the base levy and MWD receives 0.0043% of the base levy. Please note that the CWA did not receive a share of the 1% property taxes during Fiscal Year 2009-2010, and therefore will not receive any tax increment revenues.

As the City has suspended its receipt of payments due pursuant to Section 33676 for the term of the bonds (for purposes of this analysis, we have assumed that the term includes the Series 1999A, Series 1999B, 2003A, and 2003B bonds, as well as the proposed Series 2010 Bonds and any future bonds), the only reductions in available tax revenue will be the payments due to MWD.

It is our understanding that the other taxing entities (the San Diego Unified School District, the San Diego Community College District, and the San Diego County Office of Education) have rescinded resolutions pursuant to Section 33676, as these resolutions have been superseded by the tax-sharing agreements discussed in Section F below.

F. Tax Sharing Agreements

The Agency has entered into agreements to share tax increment revenues with the following taxing entities: the County of San Diego, the San Diego Community College District, the San Diego Unified School District, and the San Diego County Office of Education. The agreements for each of the foregoing taxing entities are similarly structured. Pursuant to the agreements, the Agency agrees to pay to each taxing entity, beginning in Fiscal Year 1993-1994 (the first year of tax increment eligibility) and continuing until the Agency's right to receive revenues as set forth in the agreements. Such fixed percentages are as follows:

County of San Diego	
1993-1994 to 2001-2002	10.47%
2002-2003 to 2011-2012	13.09%
2012-2013 to 2031-2032	15.70%
San Diego Community College District	
1993-1994 to 2006-2007	6.46%
2007-2008 to 2011-2012	5.00%
2012-2013 to 2016-2017	2.50%
2017-2018 and thereafter	1.00%
San Diego Unified School District	
1993-1994 to 2001-2002	Between 4.98% and 5.01%
2002-2003 to 2016-2017	15.00%
2017-2018 to 2031-2032	Between 15.65% and 16.72%
San Diego Office of Education	
1993-1994 and thereafter	0.65%

In addition, the agreement with the County of San Diego (the "County Agreement") provides for additional payments should annual tax increment revenues exceed specified amounts set forth in the agreement. Such additional payments would equal 20.94% of the excess tax increment revenues. As indicated in Exhibit A, tax increment never exceeds the projected amounts shown in the County Agreement and therefore, our projection does not include any additional payments of 20.94% of the excess increment. The County Agreement also includes provisions that the County receive any revenues resulting from an increase in the base (1%) tax rate, which the County alone is specially granted authorization to levy by the State Legislature or voters of the County.

All of the above agreements are subordinate to any new debt service. The agreements also provide 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 these agreements.

An amendment to the agreement provides that the tax increment revenue used to compute payments due the County shall exclude any revenues attributable to the City's rescission or suspension of payments due pursuant to the City's Section 33676 Resolution (discussed in Section III.E above). As a result of this amendment, the Agency is able to pledge and expend revenues otherwise due as payments pursuant to the agreement on debt service on the Series 1999A, 1999B, 2003A, and 2003B bonds, as well as the proposed Series 2010 Bonds and on any future bonds. Any such expenditure of the revenues otherwise due as payments shall not constitute a debt of the Agency to be repaid from future tax increment of the Project Area. Similar changes in the computation of payments due under the remaining agreements have been acknowledged, in writing, by the remaining entities with which the Agency has agreements. Payments shown as due to the taxing entities in Exhibit A are computed excluding revenues generated by the suspension of the City's Section 33676 Resolution.

G. Low and Moderate Income Housing Set Aside

In accordance with Community Redevelopment Law (Health and Safety Code, Section 33000 *et seq.*), the Agency is required to set aside 20% of all tax increment revenues into a low and moderate income housing fund. For the purposes of this analysis, DTA assumes that the Agency will continue to set aside 20% of the tax increment in order to improve, add to, or maintain the City of San Diego's supply of low and moderate income housing in future years. Exhibit A, which projects future tax increment revenues for the Project Area, indicates the amount set aside for low and moderate income housing each year as a separate line item. The housing revenues are pledged to pay debt service on the proposed pooled housing bonds described in Section I.C.

H. Property Tax Delinquencies and Foreclosures

Delinquency information for the Project Area was researched with the County on May 10, 2010. As of this date, 569 parcels (6.19% of the total parcels) in the Project Area had a delinquency rate of 4.48% in the payment of secured Fiscal Year 2009-2010 property taxes to the County Tax Collector.

Information regarding foreclosure proceedings for residential parcels within zip code 92105, which fully encompass the Project Area, but also include areas outside the Project Area, was researched through RealtyTrac on May 10, 2010. As of this date, 514 residential properties had Notices of Default recorded with the County of San Diego, 700 residential properties were undergoing a trustee's sale, and 884 residential properties were bank-owned. Please note that zip code 92105 encompasses over 22,000 residential units while the Project Area encompasses 19,585 residential units. Therefore, the actual number of residential properties within the Project Area which are affected by foreclosure proceedings will be less than stated above.

I. Educational Revenue Augmentation Fund ("ERAF")

In connection with its approval of the budget for Fiscal Years 1992-1993 through 1994-1995, the State Legislature enacted legislation which reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit to ERAF. For Fiscal Year 2008-2009, the State Legislature adopted AB 1389 which required redevelopment agencies to pay into ERAF an aggregate amount of $350 million. Of the $350 million, the Agency's share was approximately $11.5 million and the Project Area's share was $284,000. However, a suit filed in superior court in Sacramento by the California Redevelopment Association, along with two local redevelopment agencies and John Shirey, the Executive Director of the California Redevelopment Association, rendered portions of AB 1389 invalid, including the requirement for the Agency to make the Fiscal Year 2008-2009 ERAF payment. The State filed a notice of intent to appeal the ruling of the superior court, but the appeal was subsequently dropped by the State.

In July 2009, the State Legislature adopted AB 26 which required redevelopment agencies to pay into their respective County Supplemental Educational Revenue Augmentation Fund

("SERAF") an aggregate amount of $1.7 billion in Fiscal Year 2009-2010, of which approximately $56 million was the Agency's share, and an additional $350 million in Fiscal Year 2010-2011, of which approximately $11.5 million is the Agency's share. In October 2009, the California Redevelopment Association filed a lawsuit challenging the validity of AB 26. On May 4, 2010, the court issued a ruling denying the petition of the California Redevelopment Association and denying a stay of transfer of funds from the redevelopment agencies to the counties. On May 5, 2010, the CRA and other agencies decided to appeal the ruling. The Agency cannot determine whether the appeal will be successful.

On May 10, 2010, the Agency made the payment equal to approximately $56 million for the Fiscal Year 2009-2010 SERAF payment allocated to the Agency. Of this amount, approximately $3,940,000 was allocated to the Project Area. The payment was made with prior-year Project Area non-housing tax increment revenues on hand. The Agency expects that it will be required to make a Fiscal Year 2010-2011 SERAF payment of approximately $11.5 million on May 10, 2011. Of this amount, approximately $810,000 will be allocated to the Project Area. This payment will also be paid from prior-year Project Area non-housing tax increment revenues on hand. It is unknown whether there will be additional future ERAF or SERAF payments.

IV. PROJECT TAX INCREMENT PROJECTIONS

A. CHANGES IN ASSESSED VALUES

Tables 11 and 12 present an analysis of the greatest changes in assessed value between Fiscal Years 2008-2009 and 2009-2010. As shown in Tables 11 and 12, the total assessed value for 2,118 residential parcels was reduced by $297,189,434 (percentage change from Fiscal Year 2008-2009 to Fiscal Year 2009-2010 is -41.88%) by the County Assessor for Fiscal Year 2009-2010 as a result of Proposition 8 reductions, other assessment appeals, and changes in ownership. Of the remaining residential parcels in the Project Area, 3,602 parcels increased in value by the 2% inflation factor for Fiscal Year 2009-2010 and 2,500 parcels were increased in value by greater amounts. The remaining 202 residential parcels either increased by less than the 2% inflation factor or remained unchanged from Fiscal Year 2008-2009. In total, residential parcels in the Project Area decreased in value for Fiscal Year 2009-2010 by $245,501,310, or decreased by 12.27% from the residential property values for Fiscal year 2008-2009. The Project Area decreased in total value by $242,821,646 (10.28%) for Fiscal Year 2009-2010.

More specifically, there were two property owners in the Project Area whose total value increased by $5,937,454 for Fiscal Year 2009-2010 due to a change in ownership and new construction. There were also three property owners in the Project Area whose total value decreased by $16,973,848 for Fiscal Year 2009-2010 due to an increase in the exempt value assigned by the County.

TABLE 11
LARGEST CHANGES IN SECURED ASSESSED VALUE

Current Assessee	Reason for Change in Value	Parcels	FY 2008-2009 Secured Net Assessed Value [1]	FY 2009-2010 Secured Net Assessed Value [1]	Difference	Percent Change
Top Ten Parcels that Increased in Value						
Dawson Avenue Senior Apartments LP	Ownership Change	1	$0	$4,000,000	$4,000,000	0.00%
4391 Courtyard LLC	New Construction	1	2,392,920	4,330,374	1,937,454	80.97%
Tran Hoa Giac & Nguyen Le Huong	Ownership Change	2	937,241	2,455,985	1,518,744	162.04%
Finest City Oil Corp	Ownership Change	1	163,816	1,370,000	1,206,184	736.30%
Ganas Properties LLC	Ownership Change	2	134,310	867,000	732,690	545.52%
Anderson Lawrence J Livint Trust 03-14-91	Ownership Change	1	420,859	1,122,000	701,141	166.60%
City Heights Realty LLC	Ownership Change	6	5,277,982	5,950,369	672,387	12.74%
Almansour Mumtaz	Ownership Change	1	0	612,000	612,000	0.00%
Huynh Paul Dong & Hong Bich	Ownership Change	2	816,713	1,428,000	611,287	74.85%
Chau David Chinh, Chau Dan Trien	Ownership Change	1	194,089	785,275	591,186	304.60%
Subtotal		*18*	*10,337,930*	*22,921,003*	*12,583,073*	*121.72%*
Top Ten Parcels that Decreased in Value						
City Heights Square LP	Increase in Exemption [2]	1	6,337,840	0	(6,337,840)	-100.00%
BR Workforce LLC	Increase in Exemption [3]	1	15,088,929	9,552,921	(5,536,008)	-36.69%
Hamilton San Diego Apartments LP	Increase in Exemption [2]	1	5,100,000	0	(5,100,000)	-100.00%
RTC-1 LLC	Increase in Exemption [3]	1	8,900,000	7,353,000	(1,547,000)	-17.38%
Federal National Mortgage Assn	Ownership Change	10	2,731,937	1,258,499	(1,473,438)	-53.93%
Aurora Loan Services LLC	Ownership Change	6	2,608,275	1,196,250	(1,412,025)	-54.14%
Federal Home Loan Mortgage Corp	Ownership Change	8	2,556,782	1,330,500	(1,226,282)	-47.96%
Indymac Bank	Ownership Change	5	1,668,756	782,500	(886,256)	-53.11%
LB One LLC	Ownership Change	5	1,274,603	481,000	(793,603)	-62.26%
4157 Menlo Ave LLC	Proposition 8 Reduction	7	1,072,428	360,000	(712,428)	-66.43%
Subtotal		*45*	*47,339,550*	*22,314,670*	*(25,024,880)*	*-52.86%*
All Other Parcels	NA	9,137	2,304,488,946	2,074,109,107	(230,379,839)	-10.00%
Total		**9,200**	**2,362,166,426**	**2,119,344,780**	**(242,821,646)**	**-10.28%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] Based on discussions with the County Assessor, increase in exemptions was due to an increase in affordable housing units.
[3] Based on discussions with the County Assessor, increase in exemptions was due to an increase in square footage used for educational purposes.

TABLE 12
LARGEST CHANGES IN SECURED ASSESSED VALUE

Current Assessee	Parcels	FY 2008-2009 Secured Net Assessed Value [1]	FY 2009-2010 Secured Net Assessed Value [1]	Difference	Percent Change
Residential					
Increase in Value (Greater Than 2%)	2,500	366,474,187	399,912,309	$33,438,122	9.12%
Increase in Value (Equal to 2%)	3,602	906,212,864	924,333,817	$18,120,953	2.00%
Increase in Value (Less Than 2%)	115	11,835,078	11,964,127	129,049	1.09%
No change in Value [2]	87	7,393,338	7,393,338	0	0.00%
Decrease in Value from Automatic Prop 8 Reductions [3]	1,069	337,455,861	207,309,906	-130,145,955	-38.57%
Decrease in Value from Increase in Exemption [4]	7	11,901,145	100,091	-11,801,054	-99.16%
Decrease in Value (Ownership Changed) [5]	1,042	360,313,129	205,070,704	-155,242,425	-43.09%
Subtotal	8,422	$2,001,585,602	$1,756,084,292	(245,501,310)	-12.27%
Non-Residential					
Increase in Value (Greater Than 2%)	49	31,172,885	42,878,601	11,705,716	37.55%
Increase in Value (Equal to 2%)	629	278,843,860	284,420,198	5,576,338	2.00%
Increase in Value (Less Than 2%)	16	7,997,157	8,043,266	46,109	0.58%
No change in Value [2]	36	0	0	0	0.00%
Decrease in Value from Automatic Prop 8 Reductions [3]	14	7,518,041	4,700,036	-2,818,005	-37.48%
Decrease in Value from Increase in Exemption [4]	6	25,191,117	17,273,635	-7,917,482	-31.43%
Decrease in Value (Ownership Changed) [5]	16	7,194,501	4,047,191	-3,147,310	-43.75%
Subtotal	766	357,917,561	361,362,927	3,445,366	0.96%
New Residential Parcels [6]	11	NA	1,686,400	1,686,400	NA
New Non-Residential Parcels [6]	1	NA	211,161	211,161	NA
Superceded Parcels [7]	13	2,663,263	NA	-2,663,263	NA
Total	**9,200**	**$2,362,166,426**	**$2,119,344,780**	**(242,821,646)**	**-10.28%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] A total of 25 residential parcels and 23 non-residential parcels had a Net Assessed Value of $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.
[3] Based on discussions with the County appraiser, the reductions were due to automatic Proposition 8 reductions allowing a temporary reduction in assessed value based on decreasing market value.
[4] Values were reduced following successful assessment appeals by the property owners. The assessment appeals were not a result of a Proposition 8 temporary reduction in assessed value.
[5] Values based on the closed Assessor's roll for each fiscal year. Following the change in ownership, the County revised the assessed value of the parcels to reflect the market value.
[6] New parcels for FY 2009-2010 as a result of parcel changes from the prior year.
[7] FY 2008-2009 assessor parcels that did not have matching FY 2009-2010 parcel numbers.

B. NEW DEVELOPMENT

The table below summarizes new development that may increase assessed values within the Project Area in the future. For purposes of this analysis, however, we have conservatively assumed that there will not be any increase in assessed values for future years as a result of such new development within the Project Area.

Projects	Description
City Heights Square Residential & Retail	The City Heights Square Residential & Retail Project is a five-story building with 92 residential units (14 affordable units), 21,006 square feet of retail space and two levels of subterranean parking. The Project is one component of the master planned City Heights Square redevelopment project. The total cost of the improvements is $40 million. Projected completion date: October 2011.

The table below summarizes a new project which will result in a reduction of assessed value due to property being classified by the County as non-taxable and removed from the tax roll. It is expected that the project will be owned and operated by a tax exempt non-profit entity. For purposes of this analysis, we have assumed a reduction of future assessed value equal to the Fiscal Year 2009-2010 taxable value of such property.

Projects	Description
Fairmount 26	The Fairmount 26 Project is proposed to be developed on a 0.71-acre site located at 3332-3406 Fairmount Avenue. The Project will be mixed-use with 26 affordable apartments, 1,295 square feet of classroom space, 4,100 square feet of commercial/retail space, and 61 parking spaces. The property is expected to be removed from the tax rolls. Projected completion date: June 2012 Value removed from 2012-2013 roll: $844,625.

C. TAX INCREMENT PROJECTIONS

Table 13 summarizes the Fiscal Year 2009-2010 assessed values and details how the net tax increment is calculated. Exhibit A projects the tax increment to be generated by the Project Area through Fiscal Year 2042-2043, which represents 51 years after the adoption of the Plan. DTA has estimated the future tax increment based on the Project Area assessed valuation for Fiscal Year 2009-2010, utilizing the assumptions stated herein regarding current adjustments to the increment.

For purposes of this analysis, we are using the Fiscal Year 2009-2010 County Assessor's secured assessed value, which is lower than the Auditor's secured value, to calculate the projected annual tax increment. As discussed in Section II.D above, Fiscal Year 2009-2010 includes a reduction in value for pending assessment appeals and assessment appeals which were resolved after the Fiscal Year 2009-2010 Assessor's Roll was finalized. As discussed in Section IV.B above, the tax increment projection includes a reduction in value for Fiscal

Year 2012-2013 due to property being classified by the County as non-taxable and removed from the tax roll.

As discussed in Section II.D.2 above, the projections are based on a reduction in value of 8% and 3% for Fiscal Years 2010-2011 and 2011-2012, respectively. We have then assumed no change in value for Fiscal Year 2012-2013 other than the removal of value for the Fairmont 26 project as explained in the table above, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter. Other than the 1% and 2% annual increases as described above, we are not showing the increase in values back to base values for any value reductions. Actual reductions or increases in assessed value will vary.

The real property value described above is added to the value of personal property, which includes secured and unsecured personal property within the Project Area less unsecured exemptions for Fiscal Year 2009-2010. The value of personal property is assumed to remain constant throughout the subsequent years.

Lastly, the incremental value is the difference between the total value and the base year value, and the tax rate used in the calculation of gross revenue for Fiscal Year 2009-2010 is the actual tax rate. This is assumed to decrease in subsequent years. Unitary revenue and administrative charges result in adjustments to the net tax increment, for which the assumptions were discussed previously. The set aside for low and moderate income housing is shown as a separate line item. As stated earlier, payments made to taxing entities pursuant to tax sharing agreements are subordinate to debt service on the Series 1999A, Series 1999B, Series 2003A, and Series 2003B bonds, as well as the proposed Series 2010 Bonds and on any future bonds. Additionally, the tax-sharing payments shown are computed excluding revenues accruing to the Agency from the rescission of the City's Section 33676 Resolution.

TABLE 13
FY 2009-2010 TAX INCREMENT REVENUE ESTIMATE

	FY 2009-2010 Taxable Value	Base Taxable Value	Incremental Taxable Value
Secured Values [1]			
Land	$1,126,605,838	$490,269,612	$636,336,226
Improvement	1,155,644,029	515,268,139	640,375,890
Personal Property	244,746	4,342,701	(4,097,955)
Gross Value	2,282,494,613	1,009,880,452	1,272,614,161
Less Exemptions	(163,149,833)	(24,921,121)	(138,228,712)
Total Secured	**2,119,344,780**	**984,959,331**	**1,134,385,449**
Unsecured Values [2]			
Land	0	0	0
Improvement	13,917,524	20,926,274	(7,008,750)
Personal Property	20,065,147	0	20,065,147
Gross Value	33,982,671	20,926,274	13,056,397
Less Exemptions	(5,526,336)	0	(5,526,336)
Total Unsecured	**28,456,335**	**20,926,274**	**7,530,061**
Total Secured and Unsecured	**2,147,801,115**	**1,005,885,605**	**1,141,915,510**
Estimated Valuation Adjustments			
Assessment Appeal Valuation Reductions:			($48,081,644) [3]
Adjusted Incremental Secured and Unsecured			$1,093,833,866
Gross Increment Revenue @	1.00930% [4]		$11,040,065
Unitary Revenue [5]			$31,630
Supplemental Roll [6]			$0
Second Implementation Agreement In-Lieu Payment [7]			$0
Adjustments to Gross Estimated Revenue			
Administrative Expenses [8]			($110,401)
Estimated Levy Shortfall [9]	3.00%		($331,202)
Section 33676 Resolutions			
Metropolitan Water District (MWD)	0.00430%		($18,104)
County Water Authority (CWA)	0.00000%		$0
Net Tax Increment Revenue			**$10,611,989**
Low/Moderate Income Housing Set-Aside Revenue			($2,126,019)
Total Tax-Sharing Amounts by Agency			
County of San Diego	13.09%		($1,286,373)
San Diego Community College District	5.00%		($491,357)
San Diego Unified School District	15.00%		($1,474,071)
San Diego County Office of Education	0.65%		($63,876)
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [10]			$0
Available Non-Housing Tax Increment Revenue			**$5,170,292**
Available Housing Tax Increment Revenue			**$2,126,019**

[1] Assessed values provided by the County Assessor as of 1/1/09.

[2] Based on information provided by the County of San Diego Auditor/Controller report "Val File-04 PSVVP70@" as of 1/1/09.

[3] Based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Actual reduction based on appeals will vary.

[4] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection as shown in Table 10.

[5] Based on information for FY 2008-2009 provided by the County of San Diego Auditor/Controller.

[6] For purposes of this analysis, we have conservatively assumed that the supplemental roll will not add additional revenue.

[7] For purposes of this analysis, we have assumed that APN 471-552-34 becomes exempt in FY 2010-2011 and that the Redevelopment Agency collects the In-Lieu Payment beginning in FY 2010-2011.

[8] Estimated at 1.00% of the gross revenue for the Project Area.

[9] Estimated levy shortfall. Based on Table 10 (Historic Receipts to Levy), actual shortfall for FY 2008-2009 was less than 3% based on the trust fund summary.

[10] The Agency was required to make an SERAF payment of approximately $3,940,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

D

LIMITATIONS

This Report contains a projection of tax increment revenues to be received by the Agency. The report is based on estimates, assumptions and other information provided by the City and developed from DTA's research and telephone discussions with County staff, as well as our understanding of County tax procedures. The sources of information and basis of the estimates are stated herein. While we believe that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. In addition, since the analyses contained herein are based on legislation and County procedures, which are inherently subject to uncertainty and variation depending on evolving events and policy changes, DTA cannot represent that the results presented herein will be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved will vary from the projections.

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CITY HEIGHTS
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:		2009 2010	2010 2011	2011 2012	2012 2013	2013 2014	2014 2015	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020
Real Property @ 2.0% [1]		$2,133,017,558	$2,077,259,069	$1,911,078,343	$1,853,745,993	$1,852,901,368	$1,871,430,381	$1,890,144,685	$1,909,046,132	$1,928,136,593	$1,947,417,959	$1,966,892,139
Estimated Real Property Value Increase [2]		0	0	0	0	18,529,014	18,714,304	18,901,447	19,090,461	19,281,366	19,474,180	39,337,843
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]		(48,081,644)	(166,180,725)	(57,332,350)	(844,625)	0	0	0	0	0	0	0
Total Real Property		2,084,935,914	1,911,078,343	1,853,745,993	1,852,901,368	1,871,430,381	1,890,144,685	1,909,046,132	1,928,136,593	1,947,417,959	1,966,892,139	2,006,229,982
Total Other Property [4]		14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557
Total Value		**2,099,719,471**	**1,925,861,900**	**1,868,529,550**	**1,867,684,925**	**1,886,213,938**	**1,904,928,242**	**1,923,829,689**	**1,942,920,150**	**1,962,201,516**	**1,981,675,696**	**2,021,013,539**
Incremental Value Over Base of:	$1,005,885,605	1,093,833,866	919,976,295	862,643,945	861,799,320	880,328,333	899,042,637	917,944,084	937,034,545	956,315,911	975,790,091	1,015,127,934
Gross Revenue [5]		11,040,065	9,199,763	8,626,439	8,617,993	8,803,283	8,990,426	9,179,441	9,370,345	9,563,159	9,757,901	10,151,279
Unitary Revenue [6]		31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630
Second Implementation Agreement In-Lieu Payment [7]	$23,772,689	0	218,709	212,147	212,147	214,269	216,412	218,576	220,762	222,969	225,199	229,703
Adjustments to Gross Revenue												
Supplemental Roll		0	0	0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [8]		(110,401)	(91,998)	(86,264)	(86,180)	(88,033)	(89,904)	(91,794)	(93,703)	(95,632)	(97,579)	(101,513)
Estimated Levy Shortfall [9]	3.00%	(331,202)	(275,993)	(258,793)	(258,540)	0	0	0	0	0	0	0
Net Tax Increment Revenue		**10,630,093**	**9,082,112**	**8,525,160**	**8,517,051**	**8,961,150**	**9,148,564**	**9,337,853**	**9,529,034**	**9,722,127**	**9,917,151**	**10,311,100**
2% or CPI Annual Growth on Total Secured Value		1,405,985,442	1,434,105,151	1,462,787,254	1,492,042,999	1,521,883,859	1,552,321,536	1,583,367,967	1,615,035,326	1,647,336,033	1,680,282,754	1,713,888,409
Incremental Secured Value Over Base of:	$984,959,331	421,026,111	449,145,820	477,827,923	507,083,668	536,924,528	567,362,205	598,408,636	630,075,995	662,376,702	695,323,423	728,929,078
Section 33676 Resolutions												
Metropolitan Water District (MWD)	0.00430%	(18,104)	(19,313)	(20,547)	(21,805)	(23,088)	(24,397)	(25,732)	(27,093)	(28,482)	(29,899)	(31,344)
County Water Authority (CWA)	0.00000%	0	0	0	0	0	0	0	0	0	0	0
City of San Diego [10]	0.00000%	0	0	0	0	0	0	0	0	0	0	0
Agency Share of Tax Increment Less Section 33676 Resolutions		10,611,989	9,062,798	8,504,613	8,495,247	8,938,062	9,124,168	9,312,121	9,501,941	9,693,645	9,887,252	10,279,756
Non-Housing & Housing Tax Increment Revenue		**10,611,989**	**9,062,798**	**8,504,613**	**8,495,247**	**8,938,062**	**9,124,168**	**9,312,121**	**9,501,941**	**9,693,645**	**9,887,252**	**10,279,756**
Low/Moderate Income Housing Set-Aside Revenue		(2,126,019)	(1,816,422)	(1,705,032)	(1,703,410)	(1,792,230)	(1,829,713)	(1,867,571)	(1,905,807)	(1,944,425)	(1,983,430)	(2,062,220)
Total Tax-Sharing Amounts by Agency [11]												
County of San Diego		(1,286,373)	(1,044,996)	(964,336)	(1,145,709)	(1,205,579)	(1,224,953)	(1,244,420)	(1,263,980)	(1,283,632)	(1,303,373)	(1,354,085)
San Diego Community College District		(491,357)	(399,158)	(368,348)	(182,438)	(191,971)	(195,056)	(198,156)	(201,271)	(81,760)	(83,017)	(86,247)
San Diego Unified School District		(1,474,071)	(1,197,474)	(1,105,045)	(1,094,626)	(1,151,827)	(1,170,337)	(1,188,936)	(1,207,624)	(1,367,027)	(1,378,089)	(1,422,220)
San Diego County Office of Education		(63,876)	(51,891)	(47,885)	(47,434)	(49,912)	(50,715)	(51,521)	(52,330)	(53,144)	(53,961)	(56,061)
Total Tax-Sharing		(3,315,678)	(2,693,518)	(2,485,616)	(2,470,207)	(2,599,289)	(2,641,060)	(2,683,033)	(2,725,205)	(2,785,562)	(2,818,441)	(2,918,613)
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [12]		0	0	0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue		**5,170,292**	**4,552,858**	**4,313,966**	**4,321,630**	**4,546,543**	**4,653,395**	**4,761,518**	**4,870,929**	**4,963,657**	**5,085,381**	**5,298,923**
Available Housing Tax Increment Revenue		**2,126,019**	**1,816,422**	**1,705,032**	**1,703,410**	**1,792,230**	**1,829,713**	**1,867,571**	**1,905,807**	**1,944,425**	**1,983,430**	**2,062,220**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Vat File-04 PSVVP70@" as of 1/1/09. FY 2010-2011 excludes value for Second Implementation Agreement In-Lieu Payment.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 8% and 3% for FY 2010-11 and 2011-12, respectively. FY 2012-2013 also includes a reduction for "Fairmount 26" which is expected to became a tax-exempt affordable housing project during FY 2012-2013.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Based on estimated amount for FY 2008-2009 provided by the County of San Diego Auditor/Controller.

[7] For purposes of this analysis, we have assumed that APN 471-552-34 becomes exempt in FY 2010-2011 and that the Redevelopment Agency collects the In-Lieu Payment beginning in FY 2010-2011.

[8] Estimated at 1.00 percent of gross revenue for the Project Area.

[9] Estimated levy shortfall. Based on Table 10 (Historic Receipts to Levy), actual shortfall for FY 2008-2009 was less than 3% based on the trust fund summary.

[10] The City has suspended its receipt of payments due pursuant to its Section 33676 Resolution for the term of the Bonds.

[11] All tax-sharing amounts are subordinate to any existing or future bonds.

[12] The Agency was required to make an SERAF payment of approximately $3,940,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

CITY HEIGHTS
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:		2020 2021	2021 2022	2022 2023	2023 2024	2024 2025	2025 2026	2026 2027	2027 2028	2028 2029	2029 2030	2030 2031
Real Property @ 2.0% [1]		$2,006,229,982	$2,046,354,581	$2,087,281,673	$2,129,027,307	$2,171,607,853	$2,215,040,010	$2,259,340,810	$2,304,527,626	$2,350,618,179	$2,397,630,542	$2,445,583,153
Estimated Real Property Value Increase [2]		40,124,600	40,927,092	41,745,633	42,580,546	43,432,157	44,300,800	45,186,816	46,090,553	47,012,364	47,952,611	48,911,663
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]		0	0	0	0	0	0	0	0	0	0	0
Total Real Property		2,046,354,581	2,087,281,673	2,129,027,307	2,171,607,853	2,215,040,010	2,259,340,810	2,304,527,626	2,350,618,179	2,397,630,542	2,445,583,153	2,494,494,816
Total Other Property [4]		14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557
Total Value		**2,061,138,138**	**2,102,065,230**	**2,143,810,864**	**2,186,391,410**	**2,229,823,567**	**2,274,124,367**	**2,319,311,183**	**2,365,401,736**	**2,412,414,099**	**2,460,366,710**	**2,509,278,373**
Incremental Value Over Base of:	$1,005,885,605	1,055,252,533	1,096,179,625	1,137,925,259	1,180,505,805	1,223,937,962	1,268,238,762	1,313,425,578	1,359,516,131	1,406,528,494	1,454,481,105	1,503,392,768
Gross Revenue [5]		10,552,525	10,961,796	11,379,253	11,805,056	12,239,380	12,682,388	13,134,256	13,595,161	14,065,285	14,544,811	15,033,928
Unitary Revenue [6]		31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630
Second Implementation Agreement In-Lieu Payment [7]	$23,772,689	234,297	238,983	243,762	248,638	253,610	258,683	263,856	269,133	274,516	280,006	285,607
Adjustments to Gross Revenue												
Supplemental Roll		0	0	0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [8]		(105,525)	(109,618)	(113,793)	(118,051)	(122,394)	(126,824)	(131,343)	(135,952)	(140,653)	(145,448)	(150,339)
Estimated Levy Shortfall [9]	3.00%	0	0	0	0	0	0	0	0	0	0	0
Net Tax Increment Revenue		**10,712,927**	**11,122,792**	**11,540,853**	**11,967,276**	**12,402,227**	**12,845,877**	**13,298,400**	**13,759,974**	**14,230,779**	**14,711,000**	**15,200,825**
2% or CPI Annual Growth on Total Secured Value		1,748,166,177	1,783,129,500	1,818,792,090	1,855,167,932	1,892,271,291	1,930,116,717	1,968,719,051	2,008,093,432	2,048,255,301	2,089,220,407	2,131,004,815
Incremental Secured Value Over Base of:	$984,959,331	763,206,846	798,170,169	833,832,759	870,208,601	907,311,960	945,157,386	983,759,720	1,023,134,101	1,063,295,970	1,104,261,076	1,146,045,484
Section 33676 Resolutions												
Metropolitan Water District (MWD)	0.00430%	(32,818)	(34,321)	(35,855)	(37,419)	(39,014)	(40,642)	(42,302)	(43,995)	(45,722)	(47,483)	(49,280)
County Water Authority (CWA)	0.00000%	0	0	0	0	0	0	0	0	0	0	0
City of San Diego [10]	0.00000%	0	0	0	0	0	0	0	0	0	0	0
Agency Share of Tax Increment Less Section 33676 Resolutions		10,680,110	11,088,470	11,504,998	11,929,857	12,363,212	12,805,235	13,256,098	13,715,979	14,185,057	14,663,517	15,151,545
Non-Housing & Housing Tax Increment Revenue		**10,680,110**	**11,088,470**	**11,504,998**	**11,929,857**	**12,363,212**	**12,805,235**	**13,256,098**	**13,715,979**	**14,185,057**	**14,663,517**	**15,151,545**
Low/Moderate Income Housing Set-Aside Revenue		(2,142,585)	(2,224,558)	(2,308,171)	(2,393,455)	(2,480,445)	(2,569,175)	(2,659,680)	(2,751,995)	(2,846,156)	(2,942,200)	(3,040,165)
Total Tax-Sharing Amounts by Agency [11]												
County of San Diego		(1,405,810)	(1,458,570)	(1,512,385)	(1,567,276)	(1,623,265)	(1,680,374)	(1,738,625)	(1,798,042)	(1,858,646)	(2,212,921)	(2,290,144)
San Diego Community College District		(89,542)	(92,903)	(96,330)	(99,827)	(103,393)	(107,030)	(110,740)	(114,525)	(118,385)	(140,950)	(145,869)
San Diego Unified School District		(1,467,594)	(1,513,382)	(1,560,550)	(1,609,203)	(1,659,453)	(1,710,343)	(1,762,888)	(1,816,366)	(1,870,485)	(2,219,968)	(2,290,144)
San Diego County Office of Education		(58,202)	(60,387)	(62,615)	(64,887)	(67,205)	(69,570)	(71,981)	(74,441)	(76,950)	(91,618)	(94,815)
Total Tax-Sharing		(3,021,148)	(3,125,241)	(3,231,880)	(3,341,193)	(3,453,316)	(3,567,317)	(3,684,336)	(3,803,373)	(3,924,466)	(4,665,457)	(4,820,971)
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [12]		0	0	0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue		**5,516,376**	**5,738,671**	**5,964,948**	**6,195,208**	**6,429,451**	**6,668,743**	**6,912,083**	**7,160,611**	**7,414,435**	**7,055,860**	**7,290,409**
Available Housing Tax Increment Revenue		**2,142,585**	**2,224,558**	**2,308,171**	**2,393,455**	**2,480,445**	**2,569,175**	**2,659,680**	**2,751,995**	**2,846,156**	**2,942,200**	**3,040,165**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09. FY 2010-2011 excludes value for Second Implementation Agreement In-Lieu Payment.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 8% and 3% for FY 2010-11 and 2011-12, respectively. FY 2012-2013 also includes a reduction for "Fairmount 26" which is expected to become a tax-exempt affordable housing project during FY 2012-2013.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Based on estimated amount for FY 2008-2009 provided by the County of San Diego Auditor/Controller.

[7] For purposes of this analysis, we have assumed that APN 471-552-34 becomes exempt in FY 2010-2011 and that the Redevelopment Agency collects the In-Lieu Payment beginning in FY 2010-2011.

[8] Estimated at 1.00 percent of gross revenue for the Project Area.

[9] Estimated levy shortfall. Based on Table 10 (Historic Receipts to Levy), actual shortfall for FY 2008-2009 was less than 3% based on the trust fund summary.

[10] The City has suspended its receipt of payments due pursuant to its Section 33676 Resolution for the term of the Bonds.

[11] All tax-sharing amounts are subordinate to any existing or future bonds.

[12] The Agency was required to make an SERAF payment of approximately $3,940,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

CITY HEIGHTS
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:		2031 2032	2032 2033	2033 2034	2034 2035	2035 2036	2036 2037	2037 2038	2038 2039	2039 2040	2040 2041	2041 2042	2042 2043
Real Property @ 2.0% [1]		$2,494,494,816	$2,544,384,712	$2,595,272,407	$2,647,177,855	$2,700,121,412	$2,754,123,840	$2,809,206,317	$2,865,390,443	$2,922,698,252	$2,981,152,217	$3,040,775,262	$3,101,590,767
Estimated Real Property Value Increase [2]		49,889,896	50,887,694	51,905,448	52,943,557	54,002,428	55,082,477	56,184,126	57,307,809	58,453,966	59,623,044	60,815,505	62,031,815
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]		0	0	0	0	0	0	0	0	0	0	0	0
Total Real Property		2,544,384,712	2,595,272,407	2,647,177,855	2,700,121,412	2,754,123,840	2,809,206,317	2,865,390,443	2,922,698,252	2,981,152,217	3,040,775,262	3,101,590,767	3,163,622,582
Total Other Property [4]		14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557	14,783,557
Total Value		**2,559,168,269**	**2,610,055,964**	**2,661,961,412**	**2,714,904,969**	**2,768,907,397**	**2,823,989,874**	**2,880,174,000**	**2,937,481,809**	**2,995,935,774**	**3,055,558,819**	**3,116,374,324**	**3,178,406,139**
Incremental Value Over Base of:	$1,005,885,605	1,553,282,664	1,604,170,359	1,656,075,807	1,709,019,364	1,763,021,792	1,818,104,269	1,874,288,395	1,931,596,204	1,990,050,169	2,049,673,214	2,110,488,719	2,172,520,534
Gross Revenue [5]		15,532,827	16,041,704	16,560,758	17,090,194	17,630,218	18,181,043	18,742,884	19,315,962	19,900,502	20,496,732	21,104,887	21,725,205
Unitary Revenue [6]		31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630	31,630
Second Implementation Agreement In-Lieu Payment [7]	$23,772,689	291,319	297,145	0	0	0	0	0	0	0	0	0	0
Adjustments to Gross Revenue													
Supplemental Roll		0	0	0	0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [8]		(155,328)	(160,417)	(165,608)	(170,902)	(176,302)	(181,810)	(187,429)	(193,160)	(199,005)	(204,967)	(211,049)	(217,252)
Estimated Levy Shortfall [9]	3.00%	0	0	0	0	0	0	0	0	0	0	0	0
Net Tax Increment Revenue		**15,700,448**	**16,210,062**	**16,426,781**	**16,950,922**	**17,485,546**	**18,030,863**	**18,587,086**	**19,154,433**	**19,733,127**	**20,323,395**	**20,925,469**	**21,539,584**
2% or CPI Annual Growth on Total Secured Value		2,173,624,911	2,217,097,409	2,261,439,358	2,306,668,145	2,352,801,508	2,399,857,538	2,447,854,688	2,496,811,782	2,546,748,018	2,597,682,978	2,649,636,638	2,702,629,371
Incremental Secured Value Over Base of:	$984,959,331	1,188,665,580	1,232,138,078	1,276,480,027	1,321,708,814	1,367,842,177	1,414,898,207	1,462,895,357	1,511,852,451	1,561,788,687	1,612,723,647	1,664,677,307	1,717,670,040
Section 33676 Resolutions													
Metropolitan Water District (MWD)	0.00430%	(51,113)	(52,982)	(54,889)	(56,833)	(58,817)	(60,841)	(62,905)	(65,010)	(67,157)	(69,347)	(71,581)	(73,860)
County Water Authority (CWA)	0.00000%	0	0	0	0	0	0	0	0	0	0	0	0
City of San Diego [10]	0.00000%	0	0	0	0	0	0	0	0	0	0	0	0
Agency Share of Tax Increment Less Section 33676 Resolutions		15,649,335	16,157,080	16,371,892	16,894,089	17,426,729	17,970,022	18,524,181	19,089,423	19,665,970	20,254,048	20,853,888	21,465,724
Non-Housing & Housing Tax Increment Revenue		**15,649,335**	**16,157,080**	**16,371,892**	**16,894,089**	**17,426,729**	**17,970,022**	**18,524,181**	**19,089,423**	**19,665,970**	**20,254,048**	**20,853,888**	**21,465,724**
Low/Moderate Income Housing Set-Aside Revenue		(3,140,090)	(3,242,012)	(3,285,356)	(3,390,184)	(3,497,109)	(3,606,173)	(3,717,417)	(3,830,887)	(3,946,625)	(4,064,679)	(4,185,094)	(4,307,917)
Total Tax-Sharing Amounts by Agency [11]													
County of San Diego		(2,368,322)	0	0	0	0	0	0	0	0	0	0	0
San Diego Community College District		(150,849)	(155,944)	(165,608)	(170,902)	(176,302)	(181,810)	(187,429)	(193,160)	(199,005)	(204,967)	(211,049)	(217,252)
San Diego Unified School District		(2,360,779)	0	0	0	0	0	0	0	0	0	0	0
San Diego County Office of Education		(98,052)	(101,364)	(107,645)	(111,086)	(114,596)	(118,177)	(121,829)	(125,554)	(129,353)	(133,229)	(137,182)	(141,214)
Total Tax-Sharing		(4,978,001)	(257,308)	(273,253)	(281,988)	(290,899)	(299,987)	(309,258)	(318,713)	(328,358)	(338,196)	(348,231)	(358,466)
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [12]		0	0	0	0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue		**7,531,244**	**12,657,760**	**12,813,284**	**13,221,916**	**13,638,721**	**14,063,862**	**14,497,506**	**14,939,823**	**15,390,987**	**15,851,173**	**16,320,563**	**16,799,341**
Available Housing Tax Increment Revenue		**3,140,090**	**3,242,012**	**3,285,356**	**3,390,184**	**3,497,109**	**3,606,173**	**3,717,417**	**3,830,887**	**3,946,625**	**4,064,679**	**4,185,094**	**4,307,917**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Vel File-04 PSVVP70@" as of 1/1/09. FY 2010-2011 excludes value for Second Implementation Agreement In-Lieu Payment.

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[11] All tax-sharing amounts are subordinate to any existing or future bonds.

[12] The Agency was required to make an SERAF payment of approximately $3,940,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

EXHIBIT C

CROSSROADS

FISCAL CONSULTANT REPORT
CROSSROADS REDEVELOPMENT PROJECT AREA

Prepared for

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
1200 Third Avenue, Suite 1400
San Diego, CA 92101

Prepared by

DAVID TAUSSIG & ASSOCIATES, INC.
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A. TAX INCREMENT REVENUE PROJECTION

I. INTRODUCTION

The Redevelopment Agency of the City of San Diego (the "Agency") anticipates issuing two series of Tax Allocation Bonds in the summer of 2010 to be secured by tax increment revenues from the Project Area as explained in Section I.C below. David Taussig & Associates, Inc. ("DTA") has prepared this Fiscal Consultant Report (the "Report") to project tax increment revenues generated by the increase in assessed value of real and personal property within the Project Area. In addition, the Report describes the methodology and assumptions utilized in these projections, evaluating the historic and current taxable values, the projected values of new construction, the effects of pending assessment appeals, and the property tax collection and allocation procedures of the County of San Diego (the "County").

A. CROSSROADS PROJECT AREA BACKGROUND

The Ordinance approving the Redevelopment Plan (the "Plan") for the Project Area was adopted by the City Council of the City of San Diego on May 6, 2003 (accomplished by Ordinance No.19174 N.S.). The main purpose of establishing the Plan was to promote economic growth enhancement, infrastructure improvement, expansion of employment and recreational opportunities, preservation and expansion of housing stock, and retention and expansion of existing neighborhood supporting businesses.

The Plan will remain in effect until thirty (30) years from the date of adoption. Pursuant to subdivision (a)(1) of Section 33333.2 of the Health and Safety Code, the time limit on the establishment of loans, advances, and bonded indebtedness to be funded through tax increment revenues is twenty (20) years from the adoption of the Plan. Also, total outstanding bonded indebtedness of the Project Area to be repaid by the allocation of taxes to the Agency is not to exceed $100 million at any point in time. In accordance with subdivision (a)(3) of Section 33333.2 of the Health and Safety Code, the time limit for the receipt of tax increment revenues is forty-five (45) years from the adoption of the Plan. Please see below for a chart summarizing the above information.

Ordinance Adopted	Tax Increment Collection Limit	Amount of Tax Increment Collected to Date	Maximum Amount of Bonded Indebtedness	Maximum Time Allowed to Incur Bonded Indebtedness
May 6, 2003 [1]	45 Years [2]	$16,328,736 [3]	$100 Million	20 Years from Adoption of Plan

[1] The Project Area is a post AB 1290 project area as discussed in Section III.F below.
[2] The time limit for the repayment of indebtedness is also 45 years.
[3] Total receipts for Fiscal Year 2004-2005 through 2008-2009 as shown in Table 10.

The Project Area is administered by the City Redevelopment Division of the City Planning and Community Investment Department. The Project Area encompasses 1,031 acres and either connects with or is in proximity to the Redevelopment Agency's existing City Heights, College Grove and College Area Redevelopment Project Areas, as well as the Redevelopment Project Areas of the City of Lemon Grove and La Mesa. The Project Area also is in close proximity to San Diego State University, College Grove Shopping Center and the Joan Kroc Center, a 12-acre family support, education, recreation, and cultural arts facility.

B. Comprehensive Affordable Housing Collaborative

In 2006 the Agency approved the pooling of the housing set-aside funds from the Redevelopment Division's eleven project areas for an Affordable Housing Opportunity Program to provide greater flexibility in financing affordable housing projects throughout the City of San Diego. In July 2007, the Agency approved four separate non-revolving housing lines of credit with San Diego National Bank in an aggregate amount of $34 million secured by the housing set-aside funds from four project areas: City Heights ($11 million); Naval Training Center ($7.1 million); North Bay ($8.6 million); and North Park ($7.3 million). Of the $34 million, $29 million was allocated to the Affordable Housing Opportunity Program. The Affordable Housing Opportunity Program has provided approximately $26 million for affordable housing projects in the North Park, San Ysidro, Barrio Logan, Crossroads, and City Heights project areas.

Housing proceeds from the Series 2010 Bonds not needed for housing programs or developer repayments in the Project Area will be available for projects in other project areas through the Comprehensive Affordable Housing Collaborative Program.

C. Proposed Series 2010 Bonds

The Agency anticipates issuing two series of tax allocation bonds in the summer of 2010: one stand-alone tax-exempt series secured by non-housing tax increment revenues, and one pooled taxable series secured by housing tax increment revenues from the Project Area and the City Heights, Naval Training Center, North Bay, North Park, and San Ysidro project areas.

The tax-exempt proceeds of the stand-alone bonds supported by non-housing tax increment are expected to be used for public improvements in the Project Area. The proceeds of the pooled housing bonds are expected to be used for repaying bank lines of credit and to finance a portion of the costs for low and moderate income affordable housing projects within or of benefit to the project areas listed above.

D. Current Uses of Tax Increment Revenues

The following items represent current uses of annual net tax increment revenues after payments are made for AB 1290 pass-throughs.

1. Agency Debt to the City

a. Community Development Block Grant Program

In 2008, the Office of Inspector General ("OIG") of the HUD audited the City's Community Development Block Grant ("CDBG") program and issued a report to HUD which recommended, among others, that the City initiate repayment plans for CDBG loans to the Agency. City and Agency staff worked with HUD representatives over the past year to develop a plan to address the OIG's report and have agreed upon a 10 year schedule of repayment to the San Diego CDBG Program. A February 2010 report to the Agency Board and the City Council recommended that staff be directed to prepare a CDBG Loan Repayment Agreement between the Agency and the City for future Board and City Council approval. It was also recommended that the terms of the proposed Repayment Agreement include the following provisions, among others: 1) that all repayments made by the Agency pursuant to the Repayment Agreement and all obligations and any indebtedness of the Agency to the City created by the Repayment Agreement shall be subordinate to any pledge of tax increment to bond holders of any tax allocation bonds which have been or may be issued by the Agency; and 2) that repayments by the Agency may be made using tax increment funds, land proceeds, or other revenues of the Agency.

The total amount of outstanding CDBG loans for the Project Area as of June 30, 2009 is approximately $847,000, of which approximately $578,000 is principal. Loans from the City were provided in the years preceding and immediately following the adoption of the Project Area, to pay the costs associated with adoption and administration of the Project Area until a sufficient stream of tax increment revenue was generated.

b. NON-CDBG DEBT

Non-CDBG debt includes loans from the City's sales tax, capital outlay, TransNet (transportation), and general funds. The City utilized sales tax funds to capitalize initial project area activities such as land acquisition, public improvements and administrative costs in the Project Area and North Park and San Ysidro project areas. Tax increment growth replaced the need for such capitalization. The City's funding of these project areas was recorded as interest bearing loans to the Agency.

The Project Area has approximately $340,000 in outstanding non-CDBG related debt to the City as of June 30, 2009, of which approximately $215,000 is principal. Loans from the City were provided in the years preceding and immediately following the adoption of the Project Area, to pay the costs associated with adoption and administration of the Project Area until a sufficient stream of tax increment revenue was generated.

II. PROJECT TAXABLE VALUES

The County of San Diego Assessor (the "Assessor") determines the assessed valuations of real and personal property in the Project Area. The secured roll is the County Assessor's roll, which contains real property for which ad valorem taxes are secured by a lien on the property, and the unsecured roll contains business personal property, for which ad valorem taxes are not secured by a lien. The County assigns values to each Assessor's Parcel, which is listed in turn by an Assessor's Parcel Number ("APN"). The County Assessor releases the equalized County Assessor's roll on or prior to the first of July of each Fiscal Year. At this time, the Auditor Controller compiles the tax roll based on this information. The Auditor Controller assigns each APN to a Tax Rate Area ("TRA"), which is a geographic area containing Assessor's Parcels with the same tax rates. The Project Area includes three TRAs: 08-269, 08-270 and 08-271. The Auditor Controller is responsible for combining the assessed values provided by the Assessor for all APNs within the Project Area and releasing a report each July showing the secured and unsecured values for the current and base year as well as the incremental value for the entire Project Area.

Based on discussions with the County Auditor and County Assessor, there are discrepancies in the total net assessed values provided by each agency due to procedural differences and timing of obtaining the data. Please note that Table 1 is based on values provided by the County Auditor. Since the County Assessor's secured values are lower than the Auditor's values, we have conservatively used the lower secured values in Tables 2, 3, 11, and 12 and the tax increment projections in Tables 13 and Exhibit A. The secured assessed values shown in Tables 13 and Exhibit A are based on the County Assessor assessed values and the unsecured assessed values shown in these tables are based on the County Auditor values. Please note that the Fiscal Year 2009-2010 assessed values shown herein are dated as of January 1, 2009.

A. HISTORIC TAXABLE VALUES

DTA researched historic secured and unsecured taxable values in the Project Area for Fiscal Years 2004-2005 through 2009-2010. These values, which are based on information provided by the County of San Diego Auditor Controller, are shown in Table 1. As listed in the table, the Fiscal Year 2002-2003 base year value for the Project Area is approximately $519 million following an adjustment downward of $475,000 made by the County in Fiscal Year 2005-06. The total secured and unsecured value for the Project Area has risen from nearly $519 million for Fiscal Year 2002-2003 to over $870 million for Fiscal Year 2009-2010, an increase of approximately 68%.

As shown in Table 1 below, assessed values for property located within the Project Area experienced double-digit percentage increases from Fiscal Year 2005-2006 through Fiscal Year 2007-2008. Much of this annual increase can be attributed to value changes due to changes in ownership and new development which resulted in the construction of approximately 152 new residential units since Fiscal Year 2004-2005.

In Fiscal Year 2009-2010, property located within the Project Area experienced a decline in value of approximately 18% from Fiscal Year 2008-2009. Most of the reduction in value was due to assessment appeals and Proposition 8 reductions made by the County Assessor. Please see Section II.D.2 below for more information regarding the decline in value for Fiscal Year 2009-2010.

TABLE 1
HISTORICAL TAX INCREMENT VALUES [1]

	FY 2004-2005 Taxable Value	FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	FY 2008-2009 Taxable Value	FY 2009-2010 Taxable Value
Secured Values [2]						
Land	$276,745,099	$331,073,699	$409,504,645	$454,297,981	$470,539,142	$427,046,732
Improvement	360,911,978	411,608,198	447,328,649	478,222,833	496,841,542	463,642,014
Personal Property	952,814	1,079,640	882,079	1,536,202	1,380,381	912,081
Gross Value	638,609,891	743,761,537	857,715,373	934,057,016	968,761,065	891,600,827
Less Exemptions	(42,163,033)	(42,528,324)	(49,389,149)	(48,452,212)	(50,932,766)	(52,274,373)
Total Secured	**596,446,858**	**701,233,213**	**808,326,224**	**885,604,804**	**917,828,299**	**839,326,454**
Unsecured Values [2]						
Land	0	0	0	0	0	0
Improvement	7,919,812	9,242,516	8,697,752	8,765,219	9,277,391	10,367,278
Personal Property	14,742,489	19,604,303	17,041,652	18,367,077	20,172,632	22,101,530
Gross Value	22,662,301	28,846,819	25,739,404	27,132,296	29,450,023	32,468,808
Less Exemptions	0	(1,175,540)	(972,659)	(1,166,105)	(1,139,996)	(1,603,780)
Total Unsecured	**22,662,301**	**27,671,279**	**24,766,745**	**25,966,191**	**28,310,027**	**30,865,028**
Total Secured and Unsecured	**619,109,159**	**728,904,492**	**833,092,969**	**911,570,995**	**946,138,326**	**870,191,482**
Percentage Change in Total Value	NA	17.73%	14.29%	9.42%	3.79%	-8.03%
Base Year Value	**519,302,499**	**518,827,473 [3]**	**518,827,473**	**518,827,473**	**518,827,473**	**518,827,473**
Incremental Value	**99,806,660**	**210,077,019**	**314,265,496**	**392,743,522**	**427,310,853**	**351,364,009**
Percentage Change in Incremental Value	NA	110.48% [4]	49.60%	24.97%	8.80% [5]	-17.77% [5]

[1] Assessed values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] Based on information provided by the County of San Diego Auditor/Controller as indicated in "Report Val File-04 PSVVP70@".
[3] Base value was adjusted downward following an adjustment of $475,000 in Fiscal Year 2005-2006 due to additional exemptions for certain unsecured values.
[4] Percentage change in annual incremental value would be impacted by changes in the base year value.
[5] Additional information regarding the slower rate of increase or decrease in the overall total value can be found in Tables 11 annd 12. Much of the reduction in value in Fiscal Year 2009-2010 was due to assessment appeals and Proposition 8 reductions.

Note: Table 1 is based on values provided by the Auditor while Tables 2, 3, 11, and 12 are based on values provided by the County Assessor. Based on discussions with the County Auditor/Controller and County Assessor, discrepancies in the total net assessed values are due to procedural differences and timing in obtaining exemption data.

B. Values by Land Use Type

The Project Area includes a combination of land uses based on an analysis of the Fiscal Year 2009-2010 Assessor's roll. This allocation indicates that 59.33% of the Project Area valuation is attributable to residential land uses (including 30.56% of multifamily residential land use and 15.56% of single family residential land use), 38.92% of the value is attributable to commercial property (of which 15.64% is retail and 14.85% is office space), 0.51% is attributable to industrial property, and 1.24% is attributable to institutional property. The breakdown by land use type is shown in Table 2.

TABLE 2
FY 2009-2010 ASSESSED VALUE BY LAND USE

Land Use [1]	No. of Parcels [1]	Units	Secured Total Net Assessed Value [2]	Percent of Net Assessed Value
Residential Property (land use codes 07 through 19)				
Vacant Residential	33	0	$3,545,217	0.43%
Single Family Residential	750	751	$129,700,233	15.56%
Multi-Family Residential	369	3,958	$254,684,978	30.56%
Mobilehome	2	2	$652,000	0.08%
Condominium	878	878	$105,868,392	12.70%
Miscellaneous	4	0	$9,955	0.00%
Subtotal	2,036	5,589	$494,460,775	59.33%
Commercial Property (land use codes 20 through 39)				
Office Space	205	NA	$123,774,525	14.85%
Retail	65	NA	$130,379,060	15.64%
Vacant Land	36	NA	$7,409,852	0.89%
Other Uses	67	NA	$62,805,220	7.54%
Subtotal	373	NA	324,368,657	38.92%
Industrial Property (land use codes 40 through 49)	12	NA	$4,245,301	0.51%
Institutional Property (land use codes 70 through 79)	22	NA	$10,343,721	1.24%
Total	**2,443**	**5,589**	**$833,418,454**	**100.00%**

[1] Includes parcels with a secured net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assesssor's Roll.
[2] Based on final FY 2009-2010 Assessor's Roll. Land use codes provided by the County Assessor.

Note: Table 1 is based on values provided by the Auditor while Tables 2, 3, 11, and 12 are based on values provided by the County Assessor. Based on discussions with the County Auditor/Controller and County Assessor, discrepancies in the total net assessed values are due to procedural differences and timing in obtaining exemption data.

C. Ten Major Assessees

Table 3 presents the top ten assessees from the Fiscal Year 2009-2010 equalized roll. The table shows the assessee name/owner, the land use of Assessor's Parcels under their ownership, the number of Assessor's Parcels under their ownership, the total net assessed valuation under their ownership, the percentage of the total Project Area assessed value represented by that owner's property, and the percentage of the total

Project Area incremental value represented by the applicable owner's property.

As of May 10, 2010, all top ten assessees are current in the payment of their property taxes.

CentrePoint LLC, one of the top ten assessees, contests that the value of its 13 parcels should be reduced to $8,180,000 from $16,182,345. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in Section II.D below. In addition, as described in Section IV.B. below, the property owned by CentrePoint LLC is expected to be redeveloped in the future. For purposes of this analysis, we have not modeled any reduction or increase in value as the property is redeveloped (other than as a result of the pending appeal).

In addition, three parcels owned by Odom Family LP with a net assessed value of $8,984,179 were sold to Wakeland Village Green after the Fiscal Year 2009-10 Assessor's Roll was finalized on 1/1/2009. The parcels will be used for affordable housing and became tax-exempt. The tax-exempt status for the three parcels has been reflected in Table 13 and Exhibit A.

TABLE 3
FY 2009-2010 TOP TEN ASSESSEES

Owner	Land Use	No. of Parcels	Secured Total Net Assessed Value [1]	Percent of Secured Total Net Value	Percent of Incremental Value [2]
Lakha Properties San Diego LLC	Retail/Vacant Commercial	11	$43,496,529	5.22%	12.38%
HG Real Estate Partners LP	Multi-Family Residential	2	$29,710,595	3.56%	8.46%
CentrePoint LLC [3]	Multi-Family Residential/Retail/Vacant	13	$16,182,345	1.94%	4.61%
1401 Camino Investors LP, 9375 Associates LP	Office/Retail	2	$14,588,040	1.75%	4.15%
Sears Roebuck & Co./LWF San Diego LLC	Community Shopping Center	2	$14,294,046	1.72%	4.07%
Pacific Region Realty Corp.	Rest Home/Convalescent Home	1	$11,172,608	1.34%	3.18%
Odom Family LP [4]	Multi-Family Residential/Office	5	$10,624,060	1.27%	3.02%
YFP Campus Pointe LLC	Office/Retail	2	$9,872,891	1.18%	2.81%
Prebys Conrad Trust 12-17-82	Multi-Family Residential	3	$9,387,319	1.13%	2.67%
Russo Properties LTD	Vacant Commercial/Office/Retail	11	$9,284,736	1.11%	2.64%
Grand Total	**NA**	**52**	**$168,613,169**	**20.23%**	**47.99%**

SECURED TOTAL NET ASSESSED VALUE OF TOP 5 OWNERS:	**$118,271,555**
SECURED TOTAL NET ASSESSED VALUE OF TOP 10 OWNERS:	**$168,613,169**
SECURED TOTAL NET ASSESSED VALUE:	**$833,418,454**
TOTAL TAX INCREMENT VALUE:	**$351,364,009**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL SECURED NET VALUE:	**14.19%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL TAX INCREMENT VALUE:	**33.66%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL SECURED NET VALUE:	**20.23%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL TAX INCREMENT VALUE:	**47.99%**

[1] Includes parcels with a secured net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assesssor's Roll.

[2] Based on final FY 2009-2010 Assessor's Roll.

[3] As shown in the Appeals section, CentrePoint LLC contests that the value of its 13 parcels should be reduced to $8,180,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[4] Three parcels owned by Odom Family LP with a net assessed value of $8,984,179 were sold to Wakeland Village Green after the FY 2009-10 Assessor's Roll was finalized on 1/1/2009. The parcels will be used for affordable housing and became tax-exempt. The tax-exempt status for the three parcels is not shown above, but has been reflected in the tax increment projections herein.

D. ASSESSMENT APPEALS

1. INTRODUCTION

If a property owner believes that the assessed value of his/her property is inaccurate, an appeal may be filed with the County Assessment Appeals Board during the period between July and November of each fiscal year. A resolved appeal may produce a reduction in the original contested value and a refund to the property owner for overpaid property taxes. If the appeal is withdrawn, there is no change in the original value.

During a real estate market downturn, the market value of property may fall below the assessed value. Under State law, Proposition 8 allows property owners to apply for a temporary reduction in assessed value to match the current market value. As market values increase, the assessed property values will also increase up to the original assessed value (plus the annual California Consumer Price Index ("CPI") increase, not to exceed 2%, as stipulated by Proposition 13).

In addition, the County Assessor's office allows property owners to file a Proposition 8 reduction request to their area appraiser between January and May of each fiscal year in order to reduce the assessed value of their property without having to file an assessment appeal with the County Assessment Appeals Board, otherwise known as an informal review. The County Assessor's office provides this option to property owners in order to limit the number of assessment appeals requiring hearings before the County Assessment Appeals Board. In order to calculate the reduced assessed value, the area appraiser will use several variables, including the date of construction, land use type, and recent comparable sales from the surrounding area.

A property owner may file multiple appeals for one parcel (for the same or different fiscal year), resulting in a parcel having several appeals being reviewed by the County Assessment Appeals Board at any time. Based on discussions with the County Assessment Appeals Board, in cases where multiple appeals have been filed on one parcel, typically one appeal will be resolved and subsequent appeals will not result in further reductions of value. Therefore, for purposes of this analysis, DTA has assumed only one appeal resulted in a reduction in value, and subsequent pending appeals will result in no change in value.

As of March 8, 2010, there were 195 unresolved appeals for 182 parcels within the Project Area. Tables 4 through 7 show recent historical assessment appeals in the Project Area, providing the following information: fiscal year in which appeal was received, land use, owner/applicant name, number of parcels being appealed by owner/applicant, whether or not appeal is for Proposition 8, number of pending appeals included in our analysis (when

multiple appeals have been filed on one parcel), the status of the appeal, the contested assessed value, the applicant's opinion of value, the proposed changed value for pending appeals or board approved value for resolved appeals, and the impact of the changed values.

2. APPEALS INFORMATION PROVIDED BY THE COUNTY

The County Assessor has provided the following information for inclusion in this Fiscal Consultant Report.

> For Fiscal Year 2009-2010, the County Assessor's office received approximately 32,000 applications County-wide for reductions of assessed values of real property during their "informal" review process (1/1/2009 – 5/30/2009) for such fiscal year. In addition to the 32,000 informal applications, the County Assessor's office was proactive and, on its own, reduced the assessed values for approximately 72,000 properties County-wide. Less than 3,500 of the 104,000 total reductions were for non-residential properties. When the County Assessor's office receives a large number of requests from a specific area, such as a condominium complex or subdivision of tract homes, the County Assessor may choose to review the entire complex or the entire tract.
>
> In addition to the 104,000 reductions discussed above, over 6,447 "formal" assessment appeal applications were received for Fiscal Year 2009-2010 during the County's formal review period (7/2/2009 – 11/30/2009) for such fiscal year. Because these appeals are going through the County's formal process, any reductions to value will take longer to appear on the tax roll than reductions made through the County's informal appeal process described above.
>
> For the Fiscal Year 2010-2011 roll, the County Assessor estimated a County-wide reduction in net assessed value of approximately 1.0% from the Fiscal Year 2009-2010 roll. This reduction is based on economic factors such as lower sales prices, reduced levels of new construction, Fiscal Year 2009-2010 appeals/reductions, as well as the 0.237% decline in the CPI which will be applied to all property subject to Proposition 13 (rather than the typical 2% annual increase). For Fiscal Year 2011-2012, the County Assessor estimates a County-wide reduction similar to Fiscal Year 2010-2011, based on historical trends.
>
> In order to estimate the magnitude of the Fiscal Year 2010-2011 change in value for the Project Area, DTA compared the Project Area reduction in value from Fiscal Year 2008-2009 to Fiscal Year 2009-2010 to the County-wide reduction in value for the same period. Based on discussions with the Agency, the Project Area is anticipated

to experience declines larger than the County-wide average due to project specific factors. Therefore, we have assumed a reduction in value of 6% and 4% for Fiscal Years 2010-2011 and 2011-2012, respectively. The chart below summarizes the reduction in assessed values and its impact on incremental value.

Fiscal Year	Approximate County-wide Change in Assessed Value [1]	Project Area Change in Assessed Value	Project Area Change in Incremental Value
Actual 2009-2010	-3%	-8%	-18%
Estimated 2010-2011	-1%	-6%	-16%
Estimated 2011-2012	-1%	-4%	-13%
[1] Based on information provided by the County of San Diego Assessor's Office.			

3. Historical Appeal Reductions

DTA researched the pending and recently resolved assessment appeals to determine how tax refunds as a result of appeals might reduce the tax increment received by the Agency from the Project Area.

For purposes of this analysis, DTA has excluded any appeals that were withdrawn by the applicant. In addition, DTA has assumed that pending appeals resulted in a reduced value equal to the greater of the applicant's opinion of value or 80% of the contested value. The estimated reduction for pending appeals is based on an analysis of resolved assessment appeal data for property in the Project Area and other project specific factors and estimated County-wide value reductions going forward as explained in Section II.D.2 above.

4. Fiscal Year 2006-2007 Appeals

During Fiscal Year 2006-2007, a total of three appeals with an assessed value of $1,014,887 were filed in Project Area as shown in Table 4. The appeals were resolved with a total reduction in value of $244,887 for Fiscal Year 2006-2007, a 24.13% decline.

TABLE 4
FY 2006-2007 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	*0*	*0*	*0*	*$0*	*$0*	*$0*	*$0*	*0.00%*
Resolved Appeals								
Residential								
INDIVIDUAL HOMEOWNERS	3	3		$1,014,887	$832,400	$770,000	($244,887)	-24.13%
Subtotal - Residential	3	3	NA	$1,014,887	$832,400	$770,000	($244,887)	-24.13%
Pending Appeals	0	0	0	$0	$0	$0	$0	0.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	3	3	NA	$1,014,887	$832,400	$770,000	($244,887)	-24.13%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Total FY 2006-2007 Pending and Resolved Appeals	3	3	NA	$1,014,887	$832,400	$770,000	($244,887)	-24.13%

5. Fiscal Year 2007-2008 Appeals

During Fiscal Year 2007-2008, a total of 20 appeals were filed in the Project Area as shown in Table 5. Ten appeals were resolved with no change in value. The remaining ten appeals with a total Fiscal Year 2007-2008 assessed value of $4,687,224 were resolved with a total reduction in value of $1,252,224 for Fiscal Year 2007-2008, a 26.72% decline.

TABLE 5
FY 2007-2008 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	*0*	*0*	*0*	*$0*	*$0*	*$0*	*$0*	*0.00%*
Resolved Appeals								
Residential								
INDIVIDUAL HOMEOWNERS	18	15		$5,516,976	$4,166,348	$5,071,752	($445,224)	-8.07%
Subtotal - Residential	18	15	NA	$5,516,976	$4,166,348	$5,071,752	($445,224)	-8.07%
Non-Residential								
KAMIL SALEM ROLANDO CORNER	1	0		$1,250,000	$525,000	$525,000	($725,000)	-58.00%
MICHAEL HORVAT	1	0		$500,000	$382,815	$418,000	($82,000)	-16.40%
Subtotal - Non-Residential	2	0	NA	$1,750,000	$907,815	$943,000	($807,000)	-46.11%
Pending Appeals	0	0	0	$0	$0	$0	$0	0.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	20	15	NA	$7,266,976	$5,074,163	$6,014,752	($1,252,224)	-17.23%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Total FY 2007-2008 Pending and Resolved Appeals	20	15	NA	$7,266,976	$5,074,163	$6,014,752	($1,252,224)	-17.23%

6. Fiscal Year 2008-2009 Appeals

During Fiscal Year 2008-2009, a total of 225 appeals were filed in the Project Area as shown in Table 6. One appeal was resolved with no change in value for Fiscal Year 2008-2009. In addition, 105 appeals with a total Fiscal Year 2008-2009 assessed value of $41,462,938 were resolved with a total reduction in value of $11,502,082 for Fiscal Year 2008-2009, a 27.74% decline.

For the remaining 119 pending appeals for Fiscal Year 2008-2009 with a combined total Fiscal Year 2008-2009 assessed value of $46,069,170, DTA has estimated a total reduction of $8,083,697 which represents 17.55% of the contested value as described in Section II.D.3 above.

TABLE 6
FY 2008-2009 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis [2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals								
Residential								
AUBURN HILL AP	1	1	1	$1,176,060	$800,000	$940,848	($235,212)	-20.00%
KB HOME COASTAL (PARC @ 54TH)	64	64	64	$6,364,589	$3,818,754	$5,091,671	($1,272,918)	-20.00%
STERLING ONE FAMILY LP	1	1	1	$848,915	$510,000	$679,132	($169,783)	-20.00%
TANYA LOU CONSTELLATION INVESTMENT GROUP LLC	2	2	2	$144,397	$100,000	$115,518	($28,879)	-20.00%
WESTBRIDGE LLC	2	2	2	$550,000	$400,000	$440,000	($110,000)	-20.00%
INDIVIDUAL HOMEOWNERS [1, 2]	41	40	36	$22,408,169	$15,850,704	$19,056,672	($3,351,497)	-14.96%
Subtotal - Residential	111	110	106	$31,492,130	$21,479,458	$26,323,841	($5,168,289)	-16.41%
Non-Residential								
6050 EL CAJON BLVD LLC	1	1	1	$6,242,400	$3,900,000	$4,993,920	($1,248,480)	-20.00%
FARAMARZ YAZDANI	1	1	1	$1,150,000	$600,000	$920,000	($230,000)	-20.00%
M I C LTD	1	1	1	$716,987	$440,018	$573,590	($143,397)	-20.00%
NITA SHAH	4	4	4	$2,670,700	$1,869,494	$2,136,560	($534,140)	-20.00%
YFP CAMPUS POINTE LLC	1	1	1	$3,796,953	$3,000,000	$3,037,562	($759,391)	-20.00%
Subtotal - Non-residential	8	8	8	$14,577,040	$9,809,512	$11,661,632	($2,915,408)	-20.00%
Resolved Appeals								
Residential								
COLLEGE AV BAPTIST CHURCH OF SAN DIEGO	1	1	0	$562,440	$350,000	$490,000	($72,440)	-12.88%
INDIVIDUAL HOMEOWNERS	100	100	0	$36,383,134	$23,959,828	$25,746,856	($10,636,278)	-29.23%
Subtotal - Residential	101	101	NA	$36,945,574	$24,309,828	$26,236,856	($10,708,718)	-28.99%
Non-Residential	0	0	0	$0	$0	$0	$0	0.00%
KUSHYNSKI FAMILY TRUST	1	1	0	$2,111,803	$1,700,000	$1,950,000	($161,803)	-7.66%
ADNAN & GHAIDA MATTI	1	1	0	$1,299,979	$704,000	$845,000	($454,979)	-35.00%
CANH T & NGA T LE	1	1	0	$679,222	$470,000	$610,000	($69,222)	-10.19%
MICHAEL HORVAT	1	1	0	$426,360	$319,000	$319,000	($107,360)	-25.18%
NITA SHAH	1	1	0	$3,727,430	$2,609,201	$3,727,430	$0	0.00%
Subtotal - Non-residential	5	5	NA	$8,244,794	$5,802,201	$7,451,430	($793,364)	-9.62%
Pending Appeals	119	118	114	$46,069,170	$31,288,970	$37,985,473	($8,083,697)	-17.55%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	94	94	NA	$33,016,906	$21,177,886	$23,551,286	($9,465,620)	-28.67%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	12	12	NA	$12,173,462	$8,934,143	$10,137,000	($2,036,462)	-16.73%
Total FY 2008-2009 Pending and Resolved Appeals	225	224	NA	$91,259,538	$61,400,999	$71,673,759	($19,585,779)	-21.46%

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 80% of the contested value. Actual resolved appeals in Crossroads since FY 2006-2007 resulted in an average reduction of 27%.
[2] A parcel may have multiple appeals filed by a property owner. For purposes of this analysis, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.

7. Fiscal Year 2009-2010 Appeals

During Fiscal Year 2009-2010, a total of 76 appeals were filed in the Project Area as shown in Table 7. All 76 appeals remain pending with a combined total Fiscal Year 2009-2010 assessed value of $131,978,247. DTA has estimated a total reduction of $21,756,307 which represents 16.48% of the contested value as described in Section II.D.3 above.

TABLE 7
FY 2009-2010 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis [2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals								
Residential								
CENTREPOINT LLC	1	1	1	$1,353,038	$650,000	$1,082,430	($270,608)	-20.00%
HG REAL ESTATE PARTNERS, LP	2	2	2	$37,138,244	$17,000,000	$29,710,595	($7,427,649)	-20.00%
STERLING ONE FAMILY LP [2]	1	1	0	$882,608	$346,000	$882,608	$0	0.00%
THADDEUS PROPERTIES LLC	1	1	1	$228,158	$80,000	$182,526	($45,632)	-20.00%
INDIVIDUAL HOMEOWNERS [1, 2]	39	38	31	$19,512,068	$14,269,881	$17,254,492	($2,257,576)	-11.57%
Subtotal - Residential	44	43	35	$59,114,116	$32,345,881	$49,112,652	($10,001,464)	-16.92%
Non-Residential								
CENTREPOINT LLC	12	12	12	$14,829,307	$7,530,000	$11,863,446	($2,965,861)	-20.00%
SHAH FAMILY TRUST [2]	1	0	0	$785,400	$549,780	$785,400	$0	0.00%
MARIA CEFALU	2	2	2	$348,771	$228,692	$279,017	($69,754)	-20.00%
NITA SHAH [2]	3	1	1	$820,222	$600,000	$746,782	($73,440)	-8.95%
6050 EL CAJON BLVD LLC [1, 2]	1	1	0	$6,367,248	$3,600,000	$6,367,248	$0	0.00%
99 CENTS ONLY STORE # 144	1	1	1	$5,051,349	$2,700,000	$4,041,079	($1,010,270)	-20.00%
CITIBANK, N.A. C/O CITIGROUP REALTY [1]	1	1	1	$1,293,393	$1,134,000	$1,134,000	($159,393)	-12.32%
COLTON CAMPUS PT LP	1	1	1	$4,742,277	$4,000,000	$4,000,000	($742,277)	-15.65%
DELCHAD FAMILY TRUST	1	1	1	$757,701	$510,549	$606,161	($151,540)	-20.00%
FORESITE DEVELOPMENT LLC [2]	1	1	0	$1,173,000	$450,000	$1,173,000	$0	0.00%
KACHI FAMILY TRUST	1	1	1	$816,000	$350,000	$652,800	($163,200)	-20.00%
LA JOLLA DEVELOPMENT GROUP LLC	1	1	1	$3,406,972	$2,044,182	$2,725,578	($681,394)	-20.00%
LAKHA PROPERTIES-SAN DIEGO, LLC	1	1	1	$8,237,095	$4,100,000	$6,589,676	($1,647,419)	-20.00%
LDG UNIVERSITY LLC	1	1	1	$1,323,626	$794,175	$1,058,901	($264,725)	-20.00%
OFFICE DEPOT #683	1	1	1	$6,000,000	$5,000,000	$5,000,000	($1,000,000)	-16.67%
PACIFIC REGION REALTY CORP	1	1	1	$11,172,608	$6,145,000	$8,938,086	($2,234,522)	-20.00%
WINDSTONE COMMUNITY PROPERTIES LP	1	1	1	$1,935,144	$1,000,000	$1,548,115	($387,029)	-20.00%
STREET SIXTY-EIGHTH [1]	1	1	1	$3,804,018	$3,600,000	$3,600,000	($204,018)	-5.36%
Subtotal - Residential	32	29	27	$72,864,131	$44,336,378	$61,109,288	($11,754,843)	-16.13%
Resolved Appeals	*0*	*0*	*NA*	*$0*	*$0*	*$0*	*$0*	*0.00%*
Pending Appeals	76	72	62	$131,978,247	$76,682,259	$110,221,940	($21,756,307)	-16.48%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Total FY 2009-2010 Pending and Resolved Appeals	76	72	NA	$131,978,247	$76,682,259	$110,221,940	($21,756,307)	-16.48%
Grand Total - Pending Appeals				**$159,168,984**	**$96,447,904**	**$129,328,980**	**($29,840,004)**	**-18.75%**
Grand Total - Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll				**$35,287,499**	**$22,602,433**	**$24,600,608**	**($10,686,891)**	**-30.29%**
Grand Total - Resolved Appeals After Final FY 2009-2010 Assessor Roll				**$12,173,462**	**$8,934,143**	**$10,137,000**	**($2,036,462)**	**-16.73%**
GRAND TOTAL - Pending and Resolved Appeals				**$206,629,945**	**$127,984,480**	**$164,066,588**	**($42,563,357)**	**-20.60%**

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 80% of the contested value. Actual resolved appeals in Crossroads since FY 2006-2007 resulted in an average reduction of 27%.
[2] A parcel may have multiple appeals filed by a property owner. For purposes of this analysis, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.

8. Top Taxpayer Appeals

As indicated in Table 3, Centrepoint LLC has appealed their assessed value for Assessor's Parcels that they currently own.

Centrepoint LLC filed an assessment appeal for all 13 parcels that they currently own; contesting that the Fiscal Year 2009-2010 assessed value of their parcels should be reduced to $8,180,000 from $16,182,345. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 80% of the contested value as described in Section II.D.3 above.

E. Projections of Total Assessed Values

Due to the fact that the current real estate market downturn may last for several years, we have estimated an annual reduction of assessed values through Fiscal Year 2011-2012. As discussed in Section II.D.2 above, we have assumed a reduction in value of 6% and 4% for Fiscal Years 2010-2011 and 2011-2012, respectively. We have then assumed no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter. However, we are not showing the increase in values back to base values for any value reductions other than the 1% and 2% annual increases as described above. It is important to note that the actual reduction to tax increment for future years may be higher or lower for a number of different reasons, including filing of additional appeals in future years.

III. PROJECT TAX INCREMENT REVENUE ALLOCATION

A. TAX RATES

Tax increment revenues in this analysis are calculated by applying the tax rate determined by the County Assessor to the annual incremental assessed value of the Project Area. The general ad valorem tax rate is $1 per $100 of assessed value. In addition to this rate, an override rate reflects the debt service for various agencies which have issued bonds in the Project Area. Pursuant to Section 33670 (e) of the Health and Safety Code, approved on November 8, 1988, tax increment revenues cannot be calculated using property taxes generated from voter-approved bonded indebtedness on or following January 1, 1989. Table 8 shows the Fiscal Year 2009-2010 rates in the Project Area, separating the override amounts attributed to bonded indebtedness by participating agencies which excludes those that started levying a charge after January 1, 1989. Thus, the Fiscal Year 2009-2010 tax rate used to calculate tax increment in the Project Area is $1.00930 per $100 of assessed value. DTA assumes a secured tax rate of $1.00 per $100 after Fiscal Year 2009-2010 as the override rates usually decline over time as values increase and bonded indebtedness is paid off.

TABLE 8
SUMMARY OF PARTICIPATING AND NON-PARTICIPATING AGENCIES

	FY 2008-2009 Rates			FY 2009-2010 Rates		
Participating Agencies [1]	**TRA 008-269 [3]**	**TRA 008-270 [3]**	**TRA 008-271 [3]**	**TRA 008-269 [3]**	**TRA 008-270 [3]**	**TRA 008-271 [3]**
	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
City of San Diego Zoological Exhibit	0.00500%	0.00500%	0.00500%	0.00500%	0.00500%	0.00500%
San Diego Unified Lease/Purchase	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Metropolitan Water District	0.00430%	0.00430%	0.00430%	0.00430%	0.00430%	0.00430%
County Water Authority	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Subtotal	1.00930%	1.00930%	1.00930%	1.00930%	1.00930%	1.00930%
Non-Participating Agencies [2]						
San Diego City Public Safety	0.00108%	0.00108%	0.00108%	0.00113%	0.00113%	0.00113%
San Diego Unified Bond Series 1999A	0.00788%	0.00000%	0.00788%	0.00868%	0.00000%	0.00868%
San Diego Unified Bond Series 2000B	0.00639%	0.00000%	0.00639%	0.00717%	0.00000%	0.00717%
San Diego Unified Bond Series 2001C	0.00734%	0.00000%	0.00734%	0.00824%	0.00000%	0.00824%
San Diego Unified Bond Series 2002D	0.00965%	0.00000%	0.00965%	0.01074%	0.00000%	0.01074%
San Diego Unified Bond Series 2003E	0.01411%	0.00000%	0.01411%	0.01514%	0.00000%	0.01514%
San Diego Unified Bond Series 1998F Refunding	0.00324%	0.00000%	0.00324%	0.00351%	0.00000%	0.00351%
San Diego Unified Bond Series 1998G Refunding	0.00440%	0.00000%	0.00440%	0.00496%	0.00000%	0.00496%
San Diego Unified Bond Series F-1 Refunding	0.00458%	0.00000%	0.00458%	0.00464%	0.00000%	0.00464%
San Diego Unified Bond Series G-1 Refunding	0.00425%	0.00000%	0.00425%	0.00362%	0.00000%	0.00362%
San Diego Community College Bond 2003A	0.00068%	0.00000%	0.00068%	0.00213%	0.00000%	0.00213%
San Diego Community College Bond 2003B	0.00840%	0.00000%	0.00840%	0.00917%	0.00000%	0.00917%
San Diego Community College Bond 2006A	0.00304%	0.00000%	0.00304%	0.00845%	0.00000%	0.00845%
San Diego Community College Bond 2009C	0.00000%	0.00000%	0.00000%	0.00507%	0.00000%	0.00507%
General Bond Lemon Grove 1999A	0.00000%	0.01873%	0.00000%	0.00000%	0.02208%	0.00000%
General Bond Lemon Grove 1998B	0.00000%	0.00519%	0.00000%	0.00000%	0.00691%	0.00000%
General Bond Lemon Grove 1998C	0.00000%	0.00148%	0.00000%	0.00000%	0.00211%	0.00000%
General Bond Lemon Grove 2008A	0.00000%	0.00000%	0.00000%	0.00000%	0.02281%	0.00000%
Grossmont Union High Bond 2004	0.00000%	0.00682%	0.00000%	0.00000%	0.00826%	0.00000%
Grossmont Union High Bond 2006	0.00000%	0.01162%	0.00000%	0.00000%	0.01493%	0.00000%
Grossmont Union High Bond 2008	0.00000%	0.00951%	0.00000%	0.00000%	0.00758%	0.00000%
Grossmont Union High Bond 2009	0.00000%	0.00000%	0.00000%	0.00000%	0.02790%	0.00000%
Grossmont/Cuyamaca Community College 2003A	0.00000%	0.00423%	0.00000%	0.00000%	0.00457%	0.00000%
Grossmont/Cuyamaca Community College 2005B	0.00000%	0.00205%	0.00000%	0.00000%	0.00314%	0.00000%
Grossmont/Cuyamaca Community College 2008C	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Grossmont/Cuyamaca Community College 2008 Refundin	0.00000%	0.01629%	0.00000%	0.00000%	0.02027%	0.00000%
Grossmont Healthcare District Bond Prop G	0.00000%	0.01315%	0.01315%	0.00000%	0.01315%	0.01315%
Subtotal	0.07504%	0.09015%	0.08819%	0.09265%	0.15484%	0.10580%
Grand Total	**1.08434%**	**1.09945%**	**1.09749%**	**1.10195%**	**1.16414%**	**1.11510%**

[1] Agencies that began levying an annual charge before January 1, 1989.
[2] Agencies that have been levying an annual charge after January 1, 1989.
[3] Tax rates based on information provided by the San Diego County Auditor/Controller.

B. Supplemental Taxes, Delinquencies, Penalties, Interest

Supplemental property taxes are a result of change in ownership of property or new construction. They are based on the difference between the prior year value and the new value and can represent either a positive or negative impact to the Project Area value. They are allocated to the Agency throughout the year and included in the ten apportionments made each year to the Agency by the Auditor Controller. The history of supplemental tax receipts in the Project Area is shown in Table 9. To be conservative, future supplemental assessments are not projected.

TABLE 9
ALLOCATION ADJUSTMENTS [1]

Year	Supplemental Roll	Roll Corrections	Refunds/Adjustments	Delinquencies/ Penalties	Total Adjustments
2004-2005 [2]	$242,505.53	($5,913.88)	($12,261.93)	$0.00	$224,329.72
2005-2006	792,504.00	(4,168.97)	(46,277.65)	17,340.10	759,397.48
2006-2007	713,813.72	(3,667.66)	(52,635.85)	40,864.80	698,375.01
2007-2008	404,885.59	(100.04)	(36,601.02)	84,007.08	452,191.61
2008-2009	26,668.99	(7,888.52)	(36,124.48)	153,863.79	136,519.78

[1] Based on information in the Agency Trust Fund Summary, prepared by the Auditor-Controller.
[2] Fiscal Year 2004-2005 reflects the first year tax increment monies were collected.

Tax increment payments can also be adjusted due to roll corrections, delinquencies, penalties, and interest. Property taxes on assessed valuations that are reduced due to later assessment appeals result in refunds for the taxes paid based on the original value. The historical amounts of these adjustments are also shown in Table 9.

The historical percentage of tax receipts to the actual amount of taxes levied is shown in Table 10. Please note that the total tax receipts collected often exceed the amount levied due to collection of penalties and interest. The shortfall in Fiscal Year 2008-2009 can be attributed to delinquencies and lower revenues received by the Agency from the supplemental roll than in prior years.

TABLE 10
HISTORIC RECEIPTS TO LEVY ANALYSIS [1]

Fiscal Year Ending:	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
I. Reported Assessed Value					
Total Project Value [2]	$619,109,159	$728,904,492	$833,092,969	$911,570,995	$946,138,326
Less Base Value [3]	519,302,499	518,827,473	518,827,473	518,827,473	518,827,473
Incremental Value	99,806,660	210,077,019	314,265,496	392,743,522	427,310,853
Tax Rate	1.01080%	1.01020%	1.00970%	1.00950%	1.00930%
II. Gross Tax Increment	1,008,846	2,122,198	3,173,139	3,964,746	4,312,848
Unitary Revenue	0	0	565	7,699	7,941
County Administrative Expenses	(10,222)	(17,753)	(25,495)	(28,573)	(38,999)
Total Computed Levy	998,623	2,104,445	3,148,209	3,943,872	4,281,791
III. Total Receipts [4]	1,207,959	2,828,739	3,769,976	4,255,951	4,266,111
Surplus/(Shortfall)	209,335	724,294	621,766	312,079	(15,680)
% Difference of Computed Levy [4]	120.96%	134.42%	119.75%	107.91%	99.63%

[1] Fiscal Year 2004-2005 reflects the first year tax increment monies were collected.

[2] Based on total secured and unsecured value for the Project provided by the San Diego County Auditor/Controller as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for Fiscal Year 2009-2010)

[3] Base value was adjusted downward by $475,000 in FY 2005-06.

[4] Actual receipts collected often exceed the amount levied due to penalties and interest collected by the Agency. The shortfall in Fiscal Year 2008-2009 can be attributed to delinquencies and lower revenues received by the Agency from the supplemental roll than in prior years.

C. UNITARY TAXES

The State Board of Equalization ("SBE") establishes the taxable value of real and personal property of utilities, and since Fiscal Year 1988-1989, the values have been assessed as a Countywide unit. There are several qualifications to the unitary revenue disbursement: a taxing agency is entitled to receive the same amount of revenue as the previous year as well as an increase of up to 2%, unless unitary revenues decrease below a level adequate to provide each taxing agency with the same share as the prior year. In this case, the unitary revenues will be reduced pro rata to all agencies. The other component of unitary allocation is significant when the assessed valuation of unitary taxes increases by more than 2% in one year, in which case revenues are allocated according to the percentage that each taxing agency in the County receives for secured taxable values. As of Fiscal Year 1988-1989, when the allocation procedures changed, it was determined that a taxing agency that was created after Fiscal Year 1988-1989 was not entitled to receive unitary revenues. Due to the abovementioned procedure, no unitary revenues were received in years prior to the creation of the Project Area in 2003.

Unitary revenue for the Project Area received as of June 30, 2009 was $7,941. The Project Area received a proportion of the increased amount as it was entitled to receive a share of the revenues. Assuming that the unitary revenues will stay at a constant level in future years, DTA is conservatively estimating that the Project Area will continue to receive the same amount.

D. ADMINISTRATIVE CHARGES

Senate Bills 2557 and 1559 allow counties to determine property tax administrative charges to local agencies in the proportion that is attributable to their property tax administrative costs to the County. The average administrative charge from Fiscal Year 2004-2005 through Fiscal Year 2008-2009 was approximately 0.86% of gross incremental revenue.

DTA has conservatively estimated the charge for future years to be 1.00% of gross incremental revenue. Tables 13 and Exhibit A show the administrative charge as a deduction to the gross revenue in the Project Area.

E. LOW AND MODERATE INCOME HOUSING SET ASIDE

In accordance with Community Redevelopment Law (Health and Safety Code, Section 33000 *et seq.*), the Agency is required to set aside 20% of all tax increment revenues into a low and moderate income housing fund. For purposes of this analysis, DTA assumes that the Agency will continue to set aside 20% of the tax increment in order to improve, add to, or maintain the City of San Diego's supply of low and moderate income housing in future years. Exhibit A, which projects future tax increment revenues for the Project Area, indicates the amount set aside for low and moderate income housing each year as a separate line item. The housing revenues are pledged to pay debt service on the proposed pooled housing bonds described in Section I.B.

F. AB 1290 PAYMENTS TO AFFECTED TAXING ENTITIES

Assembly Bill 1290 ("AB 1290") was effective as of January 1, 1994 and was significant in that it put an end to the ability of public agencies to enter into "pass through agreements." Instead, the amounts to be paid to the affected taxing agencies are automatically set at the statutory levels indicated in the table below. Fiscal Year 2004-2005 is considered to be Year 1. AB 1290 requires that payments be collected until the last fiscal year in which the agency receives tax increment. For purposes of this analysis, Exhibit A shows the tax increment projections for the Project Area through Fiscal Year 2047-2048.

Plan Years	Level 1	Level 2	Level 3
1 – End (FY 2004-2005 to FY 2047-48)	25% of the increment less the low and moderate income housing set aside (or 20% of the gross increment).		
11 – End (FY 2014-2015 to FY 2047-48)	Same as Above PLUS	Using the assessed value in Year 10 as a first adjusted base year assessed value, 21% of the increment less the low and moderate income housing set aside (or 16.8% of the gross increment).	
31 – End (FY 2034-2035 to FY 2047-48)	Same as Above PLUS	Same as Above PLUS	Using the assessed value in Year 30 as a first adjusted base year assessed value, 14% of the increment less the low and moderate income housing set aside (or 11.2% of the gross increment).

G. Property Tax Delinquencies and Foreclosures

Delinquency information for the Project Area was researched with the County on May 10, 2010. As of this date, 148 parcels (6.07% of the total parcels) in the Project Area had a delinquency rate of 4.75% in the payment of secured Fiscal Year 2009-2010 property taxes to the County Tax Collector.

Information regarding foreclosure proceedings for residential parcels within zip codes 92105 and 92115, which fully encompass the Project Area, but also include areas outside the Project Area, was researched through RealtyTrac on May 10, 2010. As of this date, 1,065 residential properties had Notices of Default recorded with the County of San Diego, 1,425 residential properties were undergoing a trustee's sale, and 1,675 residential properties were bank-owned. Please note that zip codes 92105 and 92115 encompass over 40,000 residential units while the Project Area encompasses 5,589 residential units. Therefore, the actual number of residential properties within the Project Area which are affected by foreclosure proceedings will be less than stated above.

H. EDUCATIONAL REVENUE AUGMENTATION FUND ("ERAF")

In connection with its approval of the budget for Fiscal Years 1992-1993 through 1994-1995, the State Legislature enacted legislation which reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit to ERAF. For Fiscal Year 2008-2009, the State Legislature adopted AB 1389 which required redevelopment agencies to pay into ERAF an aggregate amount of $350 million. Of the $350 million, the Agency's share was approximately $11.5 million and the Project Area's share was $284,000. However, a suit filed in superior court in Sacramento by the California Redevelopment Association, along with two local redevelopment agencies and John Shirey, the Executive Director of the California Redevelopment Association, rendered portions of AB 1389 invalid, including the requirement for the Agency to make the Fiscal Year 2008-2009 ERAF payment. The State filed a notice of intent to appeal the ruling of the superior court, but the appeal was subsequently dropped by the State.

In July 2009, the State Legislature adopted AB 26 which required redevelopment agencies to pay into their respective County Supplemental Educational Revenue Augmentation Fund ("SERAF") an aggregate amount of $1.7 billion in Fiscal Year 2009-2010, of which approximately $56 million was the Agency's share, and an additional $350 million in Fiscal Year 2010-2011, of which approximately $11.5 million is the Agency's share. In October 2009, the California Redevelopment Association filed a lawsuit challenging the validity of AB 26. On May 4, 2010, the court issued a ruling denying the petition of the California Redevelopment Association and denying a stay of transfer of funds from the redevelopment agencies to the counties. On May 5, 2010, the CRA and other agencies decided to appeal the ruling. The Agency cannot determine whether the appeal will be successful.

On May 10, 2010, the Agency made the payment equal to approximately $56 million for the Fiscal Year 2009-2010 SERAF payment allocated to the Agency. Of this amount, approximately $1,376,000 was allocated to the Project Area. The payment was made with prior-year Project Area non-housing tax increment revenues on hand. The Agency expects that it will be required to make a Fiscal Year 2010-2011 SERAF payment of approximately $11.5 million on May 10, 2011. Of this amount, approximately $283,000 will be allocated to the Project Area. This payment will also be paid from prior-year Project Area non-housing tax increment revenues on hand. It is unknown whether there will be additional future ERAF or SERAF payments.

IV. PROJECT TAX INCREMENT PROJECTIONS

A. CHANGES IN ASSESSED VALUES

Tables 11 and 12 present an analysis of the greatest changes in assessed value between Fiscal Years 2008-2009 and 2009-2010. As shown in Tables 11 and 12, the total assessed value for 758 residential parcels was reduced by $99,245,729 (percentage change from Fiscal Year 2008-2009 to Fiscal Year 2009-2010 is -43.60%) by the County Assessor for Fiscal Year 2009-2010 as a result of Proposition 8 reductions, other assessment appeals, and changes in ownership. Of the remaining residential parcels in the Project Area, 644 parcels increased in value by the 2% inflation factor for Fiscal Year 2009-2010 and 498 parcels were increased in value by greater amounts. The remaining 136 residential parcels either increased by less than the 2% inflation factor or remained unchanged from Fiscal Year 2008-2009. In total, residential parcels in the Project Area decreased in value for Fiscal Year 2009-2010 by $87,951,090, or decreased by 15.10% from the residential property values for Fiscal year 2008-2009. The Project Area decreased in total value by $78,455,645 (8.60%) for Fiscal Year 2009-2010.

More specifically, there were two property owners in the Project Area whose total value increased by $3,520,197 for Fiscal Year 2009-2010 due to a change in ownership and new construction. There were also two parcels in the Project Area for which total value decreased by $2,229,542 for Fiscal Year 2009-2010 due to a change in ownership and an increase in the exempt value assigned by the County.

TABLE 11
LARGEST CHANGES IN SECURED ASSESSED VALUE

Current Assessee	Reason for Change in Value	Parcels	FY 2008-2009 Secured Net Assessed Value [1]	FY 2009-2010 Secured Net Assessed Value [1]	Difference	Percent Change
Top Ten Parcels that Increased in Value						
7150 El Cajon LLC	Ownership Change	2	$1,377,741	$3,672,000	$2,294,259	166.52%
Y F P Campus Pointe LLC	New Construction	2	8,646,953	9,872,891	1,225,938	14.18%
Lakha Properties San Diego LLC	2% Escalation	11	42,643,664	43,496,529	852,865	2.00%
Bridgeport Properties LP	Reduced Exemption	3	33,568	582,064	548,496	1633.98%
Michael Dennis	Ownership Change	1	747,917	1,250,000	502,083	67.13%
Orozco Roberto, Woodington Gregg	Ownership Change	1	71,026	500,000	428,974	603.97%
Saintjohn LLC	New Construction	2	943,917	1,368,296	424,379	44.96%
Kushynski Family Trust 11-28-88	DTA is researching	1	1,811,150	2,154,038	342,888	18.93%
Kohl Matthew R	Ownership Change	1	0	335,000	335,000	0.00%
MJK/54th Real Estate Holding Co LLC	New Construction	1	3,423,780	3,757,255	333,475	9.74%
Subtotal		*25*	*59,699,716*	*66,988,073*	*7,288,357*	*12.21%*
Top Ten Parcels that Decreased in Value [2]						
JP Morgan Chase	Ownership Change	7	1,975,320	770,000	(1,205,320)	-61.02%
Tom Sheng 76 Enterprises LP	Increase in Exemption [3]	1	1,038,290	14,068	(1,024,222)	-98.65%
Fellowship of Love Divine	Ownership Change	1	884,340	0	(884,340)	-100.00%
Kongvongsai Phou & Oday	Proposition 8 Reduction	3	1,903,378	1,185,000	(718,378)	-37.74%
4438 Properties LLC	Proposition 8 Reduction	1	2,207,312	1,688,000	(519,312)	-23.53%
Vargas Gabino	Proposition 8 Reduction	1	863,532	410,000	(453,532)	-52.52%
Greenpoint M T A Trust 2005-A R 2	Ownership Change	1	769,375	336,000	(433,375)	-56.33%
H G Real Estate Partners LP	Ownership Change	2	30,141,303	29,710,595	(430,708)	-1.43%
Donohie Mark	Proposition 8 Reduction	2	693,578	280,000	(413,578)	-59.63%
Barron Nicholas B	Proposition 8 Reduction	1	847,924	485,000	(362,924)	-42.80%
Subtotal		*20*	*41,324,352*	*34,878,663*	*(6,445,689)*	*-15.60%*
All Other Parcels	NA	2,398	810,850,031	731,551,718	(79,298,313)	-9.78%
Total		**2,443**	**911,874,099**	**833,418,454**	**(78,455,645)**	**-8.60%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] Three parcels owned by Odom Family LP with a net assessed value of $8,984,179 were sold to Wakeland Village Green after the FY 2009-10 Assessor's Roll was finalized on 1/1/2009. The parcels will be used for affordable housing and became tax-exempt. The tax-exempt status for the three parcels has been reflected in Table 13 and Exhibit A.
[3] Based on discussions with County, parcel became a church.

TABLE 12
LARGEST CHANGES IN SECURED ASSESSED VALUE

Current Assessee	Parcels	FY 2008-2009 Secured Net Assessed Value [1]	FY 2009-2010 Secured Net Assessed Value [1]	Difference	Percent Change
Residential					
Increase in Value (Greater Than 2%)	498	$80,213,868	$87,174,357	$6,960,489	8.68%
Increase in Value (Equal to 2%)	644	204,637,884	208,730,161	4,092,277	2.00%
Increase in Value (Less Than 2%)	30	14,838,990	15,080,863	241,873	1.63%
No change in Value [2]	106	17,017,000	17,017,000	0	0.00%
Decrease in Value from Prop 8 Reduction Appeals [3]	10	2,337,196	1,272,900	(1,064,296)	-45.54%
Decrease in Value from Automatic Prop 8 Reductions [4]	621	224,941,417	145,233,196	(79,708,221)	-35.44%
Decrease in Value from Other Assessment Appeals [5]	1	342,000	153,000	(189,000)	-55.26%
Decrease in Value (Increased Exemption [6]	0	0	0	0	0.00%
Decrease in Value (Ownership Changed) [7]	126	38,083,510	19,799,298	(18,284,212)	-48.01%
Subtotal	2,036	$582,411,865	$494,460,775	(87,951,090)	-15.10%
Non-Residential					
Increase in Value (Greater Than 2%)	26	32,749,211	39,635,465	6,886,254	21.03%
Increase in Value (Equal to 2%)	336	275,902,957	281,420,740	5,517,783	2.00%
Increase in Value (Less Than 2%)	9	11,525,116	11,658,386	133,270	1.16%
No change in Value [2]	27	4,170,000	4,170,000	0	0.00%
Decrease in Value from Prop 8 Reduction Appeals [3]	1	520,200	239,000	(281,200)	-54.06%
Decrease in Value from Automatic Prop 8 Reductions [4]	3	1,779,640	1,415,120	(364,520)	-20.48%
Decrease in Value from Other Assessment Appeals [5]	0	0	0	0	0.00%
Decrease in Value (Increased Exemption [6]	1	1,038,290	14,068	(1,024,222)	-98.65%
Decrease in Value (Ownership Changed) [7]	4	1,776,820	404,900	(1,371,920)	-77.21%
Subtotal	407	329,462,234	338,957,679	9,495,445	2.88%
New Residential Parcels [8]	0	NA	NA	0	NA
New Non-Residential Parcels [8]	0	NA	NA	0	NA
Superceded Parcels [9]	0	NA	NA	0	NA
Total	**2,443**	**$911,874,099**	**$833,418,454**	**(78,455,645)**	**-8.60%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] A total of 25 residential parcels and 23 non-residential parcels had a Net Assessed Value of $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.
[3] Values based on the final Assessor's roll for each fiscal year. The reductions were a result of Proposition 8 appeals by property owners allowing a temporary reduction in assessed value based on decreasing market value.
[4] Based on discussions with the County appraiser, the reductions were due to automatic Proposition 8 reductions allowing a temporary reduction in assessed value based on decreasing market value.
[5] Values were reduced following successful assessment appeals by the property owners. The assessment appeals were not a result of a Proposition 8 temporary reduction in assessed value.
[6] Based on data from County Assessor, the decrease in value from FY 2008-2009 to FY 2009-2010 was due to an increase in the exemptions.
[7] Values based on the closed Assessor's roll for each fiscal year. Following the change in ownership, the County revised the assessed value of the parcels to reflect the market value.
[8] New parcels for FY 2009-2010 as a result of parcel changes from the prior year.
[9] FY 2008-2009 assessor parcels that did not have matching FY 2009-2010 parcel numbers.

B. New Development

The table below summarizes new development that may increase assessed values within the Project Area in the future.

Project	Description
Parc @ 54 Project (90 For-Sale Residential Units)	The project includes 90 new residential units. All of the units were sold to individual homeowners by November 30, 2009. The County Assessor has reassessed the property values for 28 units which are already reflected in the Fiscal Year 2009-2010 assessor roll. For purposes of this analysis, DTA has included the anticipated value increase for the remaining 62 units in Fiscal Year 2009-2010, as shown in Table 13 and Exhibit A. The 4-acre site was previously a church in Fiscal Year 2007-2008.
Centrepoint, LLC	The property (13 parcels) is currently entitled to construct a pedestrian-oriented mixed-use project that incorporates 312 residential units consisting of 68 townhouses and 244 residential wrap units (including 31 affordable units), 7,468 square feet of live/work flex space (e.g. 10 bays), and approximately 3,861 square feet of retail/commercial space. Off-street parking spaces (610) will be contained in surface lots and in an above ground parking structure. There is currently no timing regarding the commencement of construction. It is expected that any existing development will be demolished. For purposes of this analysis, DTA has assumed that there will not be any change in assessed values for future years (other than the reduction in value for the pending appeal as described in Section II.D above).

C. Tax Increment Projections

Table 13 summarizes the Fiscal Year 2009-2010 assessed values and details how the net tax increment is calculated. Exhibit A projects the tax increment to be generated by the Project Area through Fiscal Year 2047-2048, which represents 45 years after the adoption of the Plan. DTA has estimated the future tax increment based on the Project Area assessed valuation for Fiscal Year 2009-2010, utilizing the assumptions stated herein regarding current adjustments to the increment.

For purposes of this analysis, we are using the Fiscal Year 2009-2010 County Assessor's secured assessed value, which is lower than the Auditor's secured value, to calculate the projected annual tax increment. As discussed in Section II.D above, Fiscal Year 2009-2010 includes a reduction in value for pending assessment appeals and assessment appeals which were resolved after the Fiscal Year 2009-2010 Assessor's Roll was finalized. In addition, Fiscal Year 2009-2010 includes the anticipated increase in value for 62 residential units in the Parc @ 54 Project sold to individual homeowners after the Fiscal Year 2009-2010 assessor roll was finalized, as discussed in Section IV.B above.

As discussed in Section II.D.2 above, the projections are based on a reduction in value of 6% and 4% for Fiscal Years 2010-2011 and 2011-2012, respectively. We have then assumed no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of

2% each year thereafter. Other than the 1% and 2% annual increases as described above, we are not showing the increase in values back to base values for any value reductions. Actual reductions or increases in assessed value will vary.

The real property value described above is added to the value of personal property, which includes secured and unsecured personal property within the Project Area less unsecured exemptions for Fiscal Year 2009-2010. The value of personal property is assumed to remain constant throughout the subsequent years.

Lastly, the incremental value is the difference between the total value and the base year value, and the tax rate used in the calculation of gross revenue for Fiscal Year 2009-2010 is the actual tax rate. This is assumed to decrease in subsequent years. Unitary revenue and administrative charges result in adjustments to the net tax increment, for which the assumptions were discussed previously. The set aside for low and moderate income housing and the AB 1290 pass through payments are shown as separate line items.

TABLE 13
FY 2009-2010 TAX INCREMENT REVENUE ESTIMATE

	FY 2009-2010 Taxable Value	Base Taxable Value	Incremental Taxable Value
Secured Values [1]			
Land	$427,046,732	$226,984,455	$200,062,277
Improvement	463,642,014	302,094,023	161,547,991
Personal Property	912,081	1,113,461	(201,380)
Gross Value	891,600,827	530,191,939	361,408,888
Less Exemptions	(58,182,373)	(35,700,406)	(22,481,967)
Total Secured	**833,418,454**	**494,491,533**	**338,926,921**
Unsecured Values [2]			
Land	0	0	0
Improvement	10,367,278	8,335,218	2,032,060
Personal Property	22,101,530	16,475,748	5,625,782
Gross Value	32,468,808	24,810,966	7,657,842
Less Exemptions	(1,603,780)	(475,026)	(1,128,754)
Total Unsecured	**30,865,028**	**24,335,940**	**6,529,088**
Total Secured and Unsecured	**864,283,482**	**518,827,473**	**345,456,009**

Estimated Valuation Adjustments		
Estimated Real Property Value Increase		8,800,000 [3]
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact		($40,860,645) [4]
Adjusted Incremental Secured and Unsecured		$313,395,364
Gross Increment Revenue @	1.00930% [5]	$3,163,099
Unitary Revenue [6]		$7,941
Supplemental Roll [7]		$0
Offsets to Gross Estimated Revenue		
Administrative Expenses [8]		($31,631)
Estimated Levy Shortfall [9]	1.00%	($31,631)
Net Tax Increment Revenue		$3,107,778
Low/Moderate Income Housing Set-Aside Revenue [10]		($621,556)
Taxing Agencies Pass Throughs (AB 1290) [11]		($626,294)
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [12]		$0
Available Non-Housing Tax Increment Revenue		**$1,859,929**
Available Housing Tax Increment Revenue		**$621,556**
Tax Revenue Available for Debt Service		**$2,481,484**

[1] Assessed values provided by the County Assessor as of 1/1/09.
[2] Based on information provided by the County of San Diego Auditor/Controller report "Val File-04 PSVVP70@" as of 1/1/09.
[3] Includes anticipated value increase following the sale of residential units within the Parc @ 54 project.
[4] Based on pending appeals for FY 2008-09 and 2009-10, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Actual reduction based on appeals will vary. In addition, includes reduction for "Odom Family LP" which was sold to Wakeland Village Green and became a tax-exempt affordable housing project beginning in FY 2009-10.
[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection as shown in Exhibit A.
[6] Based on information for FY 2008-2009 provided by the County of San Diego Auditor/Controller.
[7] For purposes of this analysis, we have conservatively assumed that the supplemental roll will not add additional revenue.
[8] Estimated at 1.00% of the gross revenue for the Project Area.
[9] Estimated levy shortfall. Based on Table 10 (Historic Receipts to Levy), actual shortfall for FY 2008-2009 was less than 1% based on the trust fund summary.
[10] Based on 20% of Net Tax Increment Revenue.
[11] Based on 20% of Gross Increment Revenue less Estimated Levy Shortfall.
[12] The Agency was required to make an SERAF payment of approximately $1,376,000 for the Project Area on May 10, 2010. The Agency made such payment with prior-year Project Area non-housing tax increment revenues on hand.

D. LIMITATIONS

This Report contains a projection of tax increment revenues to be received by the Agency. The report is based on estimates, assumptions and other information provided by the City and developed from DTA's research and telephone discussions with County staff, as well as our understanding of County tax procedures. The sources of information and basis of the estimates are stated herein. While we believe that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. In addition, since the analyses contained herein are based on legislation and County procedures, which are inherently subject to uncertainty and variation depending on evolving events and policy changes, DTA cannot represent that the results presented herein will be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved will vary from the projections.

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CROSSROADS
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

					YEAR 10					
Fiscal Year Ending:	**2009 2010**	**2010 2011**	**2011 2012**	**2012 2013**	**2013 2014**	**2014 2015**	**2015 2016**	**2016 2017**	**2017 2018**	**2018 2019**
Real Property [1]	$842,873,651	$810,813,006	$762,164,226	$731,677,657	$731,677,657	$738,994,433	$746,384,378	$753,848,221	$761,386,704	$769,000,571
Estimated Real Property Value Increase [2]	8,800,000	0	0	0	7,316,777	7,389,944	7,463,844	7,538,482	7,613,867	7,690,006
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]	(40,860,645)	(48,648,780)	(30,486,569)	0	0	0	0	0	0	0
Total Real Property	810,813,006	762,164,226	731,677,657	731,677,657	738,994,433	746,384,378	753,848,221	761,386,704	769,000,571	776,690,576
Total Personal Property [4]	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831
Total Value	**832,222,837**	**783,574,057**	**753,087,488**	**753,087,488**	**760,404,264**	**767,794,209**	**775,258,052**	**782,796,535**	**790,410,402**	**798,100,407**
Incremental Value Over Base of: $518,827,473	313,395,364	264,746,584	234,260,015	234,260,015	241,576,791	248,966,736	256,430,579	263,969,062	271,582,929	279,272,934
Gross Revenue [5]	3,163,099	2,647,466	2,342,600	2,342,600	2,415,768	2,489,667	2,564,306	2,639,691	2,715,829	2,792,729
Unitary Revenue	7,941	7,941	7,941	7,941	7,941	7,941	7,941	7,941	7,941	7,941
Adjustments to Gross Revenue										
Supplemental Roll	0	0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [6]	(31,631)	(26,475)	(23,426)	(23,426)	(24,158)	(24,897)	(25,643)	(26,397)	(27,158)	(27,927)
Estimated Levy Shortfall [7] 1.00%	(31,631)	(26,475)	(23,426)	(23,426)	0	0	0	0	0	0
Net Tax Increment Revenue	3,107,778	2,602,457	2,303,689	2,303,689	2,399,551	2,472,711	2,546,603	2,621,234	2,696,612	2,772,743
Low/Moderate Income Housing Set-Aside Revenue [8]	(621,556)	(520,491)	(460,738)	(460,738)	(479,910)	(494,542)	(509,321)	(524,247)	(539,322)	(554,549)
Taxing Agencies Pass Through (AB 1290) Tier 1 [9]	(626,294)	(524,198)	(463,835)	(463,835)	(483,154)	(497,933)	(512,861)	(527,938)	(543,166)	(558,546)
Taxing Agencies Pass Through (AB 1290) Tier 2 [9]	0	0	0	0	0	(12,415)	(24,954)	(37,619)	(50,410)	(63,330)
Taxing Agencies Pass Through (AB 1290) Tier 3 [9]	0	0	0	0	0	0	0	0	0	0
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [10]	0	0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue	**1,859,929**	**1,557,768**	**1,379,116**	**1,379,116**	**1,436,487**	**1,467,821**	**1,499,467**	**1,531,430**	**1,563,713**	**1,596,319**
Available Housing Tax Increment Revenue	**621,556**	**520,491**	**460,738**	**460,738**	**479,910**	**494,542**	**509,321**	**524,247**	**539,322**	**554,549**
Tax Revenue Available for Debt Service	**2,481,484**	**2,078,259**	**1,839,854**	**1,839,854**	**1,916,397**	**1,962,363**	**2,008,788**	**2,055,677**	**2,103,036**	**2,150,867**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Fiscal Year 2009-2010 includes anticipated value increase following the sale of residential units within the Parc @ 54 project. Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 6% and 4% for FY 2010-11 and 2011-12, respectively. FY 2009-10 also includes reduction for "Odom Family LP" which was sold to Wakeland Village Green and became a tax-exempt affordable housing project beginning in FY 2009-10.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Estimated levy shortfall. Based on Table 10 (Historic Receipts to Levy), actual shortfall for FY 2008-2009 was less than 1% based on the trust fund summary.

[8] Based on 20% of Net Tax Increment Revenue.

[9] Based on 20% of "Gross Revenue" less "Estimated Levy Shortfall" through FY 2047-2048. In addition, 16.8% of Gross Revenue is included from FY 2014-2015 through FY 2047-2048 using Year 10 as a base value and 11.2% of Gross Revenue is included from FY 2034-2035 through FY 2047-2048 using Year 30 as a base value.

[10] The Agency was required to make an SERAF payment of approximately $1,376,000 for the Project Area on May 10, 2010. The Agency made such payment with prior-year Project Area non-housing tax increment revenues on hand.

CROSSROADS
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:	**2019 2020**	**2020 2021**	**2021 2022**	**2022 2023**	**2023 2024**	**2024 2025**	**2025 2026**	**2026 2027**	**2027 2028**	**2028 2029**
Real Property [1]	$776,690,576	$792,224,388	$808,068,876	$824,230,253	$840,714,858	$857,529,155	$874,679,738	$892,173,333	$910,016,800	$928,217,136
Estimated Real Property Value Increase [2]	15,533,812	15,844,488	16,161,378	16,484,605	16,814,297	17,150,583	17,493,595	17,843,467	18,200,336	18,564,343
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]	0	0	0	0	0	0	0	0	0	0
Total Real Property	792,224,388	808,068,876	824,230,253	840,714,858	857,529,155	874,679,738	892,173,333	910,016,800	928,217,136	946,781,478
Total Personal Property [4]	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831
Total Value	**813,634,219**	**829,478,707**	**845,640,084**	**862,124,689**	**878,938,986**	**896,089,569**	**913,583,164**	**931,426,631**	**949,626,967**	**968,191,309**
Incremental Value Over Base of: $518,827,473	294,806,746	310,651,234	326,812,611	343,297,216	360,111,513	377,262,096	394,755,691	412,599,158	430,799,494	449,363,836
Gross Revenue [5]	2,948,067	3,106,512	3,268,126	3,432,972	3,601,115	3,772,621	3,947,557	4,125,992	4,307,995	4,493,638
Unitary Revenue	7,941	7,941	7,941	7,941	7,941	7,941	7,941	7,941	7,941	7,941
Adjustments to Gross Revenue										
Supplemental Roll	0	0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [6]	(29,481)	(31,065)	(32,681)	(34,330)	(36,011)	(37,726)	(39,476)	(41,260)	(43,080)	(44,936)
Estimated Levy Shortfall [7] 1.00%	0	0	0	0	0	0	0	0	0	0
Net Tax Increment Revenue	2,926,528	3,083,388	3,243,386	3,406,583	3,573,045	3,742,836	3,916,022	4,092,672	4,272,856	4,456,643
Low/Moderate Income Housing Set-Aside Revenue [8]	(585,306)	(616,678)	(648,677)	(681,317)	(714,609)	(748,567)	(783,204)	(818,534)	(854,571)	(891,329)
Taxing Agencies Pass Through (AB 1290) Tier 1 [9]	(589,613)	(621,302)	(653,625)	(686,594)	(720,223)	(754,524)	(789,511)	(825,198)	(861,599)	(898,728)
Taxing Agencies Pass Through (AB 1290) Tier 2 [9]	(89,426)	(116,045)	(143,196)	(170,890)	(199,138)	(227,951)	(257,341)	(287,318)	(317,894)	(349,082)
Taxing Agencies Pass Through (AB 1290) Tier 3 [9]	0	0	0	0	0	0	0	0	0	0
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [10]	0	0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue	**1,662,182**	**1,729,363**	**1,797,887**	**1,867,782**	**1,939,074**	**2,011,793**	**2,085,966**	**2,161,622**	**2,238,791**	**2,317,504**
Available Housing Tax Increment Revenue	**585,306**	**616,678**	**648,677**	**681,317**	**714,609**	**748,567**	**783,204**	**818,534**	**854,571**	**891,329**
Tax Revenue Available for Debt Service	**2,247,488**	**2,346,040**	**2,446,564**	**2,549,098**	**2,653,683**	**2,760,360**	**2,869,170**	**2,980,157**	**3,093,363**	**3,208,833**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Fiscal Year 2009-2010 includes anticipated value increase following the sale of residential units within the Parc @ 54 project. Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 6% and 4% for FY 2010-11 and 2011-12, respectively. FY 2009-10 also includes reduction for "Odom Family LP" which was sold to Wakeland Village Green and became a tax-exempt affordable housing project beginning in FY 2009-10.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Estimated levy shortfall. Based on Table 10 (Historic Receipts to Levy), actual shortfall for FY 2008-2009 was less than 1% based on the trust fund summary.

[8] Based on 20% of Net Tax Increment Revenue.

[9] Based on 20% of "Gross Revenue" less "Estimated Levy Shortfall" through FY 2047-2048. In addition, 16.8% of Gross Revenue is included from FY 2014-2015 through FY 2047-2048 using Year 10 as a base value and 11.2% of Gross Revenue is included from FY 2034-2035 through FY 2047-2048 using Year 30 as a base value.

[10] The Agency was required to make an SERAF payment of approximately $1,376,000 for the Project Area on May 10, 2010. The Agency made such payment with prior-year Project Area non-housing tax increment revenues on hand.

CROSSROADS
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

					YEAR 30					
Fiscal Year Ending:	**2029 2030**	**2030 2031**	**2031 2032**	**2032 2033**	**2033 2034**	**2034 2035**	**2035 2036**	**2036 2037**	**2037 2038**	**2038 2039**
Real Property [1]	$946,781,478	$965,717,108	$985,031,450	$1,004,732,079	$1,024,826,721	$1,045,323,255	$1,066,229,720	$1,087,554,315	$1,109,305,401	$1,131,491,509
Estimated Real Property Value Increase [2]	18,935,630	19,314,342	19,700,629	20,094,642	20,496,534	20,906,465	21,324,594	21,751,086	22,186,108	22,629,830
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]	0	0	0	0	0	0	0	0	0	0
Total Real Property	965,717,108	985,031,450	1,004,732,079	1,024,826,721	1,045,323,255	1,066,229,720	1,087,554,315	1,109,305,401	1,131,491,509	1,154,121,339
Total Personal Property [4]	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831
Total Value	**987,126,939**	**1,006,441,281**	**1,026,141,910**	**1,046,236,552**	**1,066,733,086**	**1,087,639,551**	**1,108,964,146**	**1,130,715,232**	**1,152,901,340**	**1,175,531,170**
Incremental Value Over Base of: $518,827,473	468,299,466	487,613,808	507,314,437	527,409,079	547,905,613	568,812,078	590,136,673	611,887,759	634,073,867	656,703,697
Gross Revenue [5]	4,682,995	4,876,138	5,073,144	5,274,091	5,479,056	5,688,121	5,901,367	6,118,878	6,340,739	6,567,037
Unitary Revenue	7,941	7,941	7,941	7,941	7,941	7,941	7,941	7,941	7,941	7,941
Adjustments to Gross Revenue										
Supplemental Roll	0	0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [6]	(46,830)	(48,761)	(50,731)	(52,741)	(54,791)	(56,881)	(59,014)	(61,189)	(63,407)	(65,670)
Estimated Levy Shortfall [7] 1.00%	0	0	0	0	0	0	0	0	0	0
Net Tax Increment Revenue	4,644,105	4,835,317	5,030,354	5,229,291	5,432,206	5,639,180	5,850,294	6,065,630	6,285,272	6,509,307
Low/Moderate Income Housing Set-Aside Revenue [8]	(928,821)	(967,063)	(1,006,071)	(1,045,858)	(1,086,441)	(1,127,836)	(1,170,059)	(1,213,126)	(1,257,054)	(1,301,861)
Taxing Agencies Pass Through (AB 1290) Tier 1 [9]	(936,599)	(975,228)	(1,014,629)	(1,054,818)	(1,095,811)	(1,137,624)	(1,180,273)	(1,223,776)	(1,268,148)	(1,313,407)
Taxing Agencies Pass Through (AB 1290) Tier 2 [9]	(380,894)	(413,342)	(446,439)	(480,198)	(514,632)	(549,755)	(585,581)	(622,122)	(659,395)	(697,413)
Taxing Agencies Pass Through (AB 1290) Tier 3 [9]	0	0	0	0	0	(23,415)	(47,299)	(71,660)	(96,508)	(121,854)
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [10]	0	0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue	**2,397,791**	**2,479,684**	**2,563,215**	**2,648,416**	**2,735,321**	**2,800,550**	**2,867,082**	**2,934,946**	**3,004,166**	**3,074,771**
Available Housing Tax Increment Revenue	**928,821**	**967,063**	**1,006,071**	**1,045,858**	**1,086,441**	**1,127,836**	**1,170,059**	**1,213,126**	**1,257,054**	**1,301,861**
Tax Revenue Available for Debt Service	**3,326,612**	**3,446,748**	**3,569,286**	**3,694,274**	**3,821,763**	**3,928,386**	**4,037,141**	**4,148,072**	**4,261,221**	**4,376,633**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Fiscal Year 2009-2010 includes anticipated value increase following the sale of residential units within the Parc @ 54 project. Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 6% and 4% for FY 2010-11 and 2011-12, respectively. FY 2009-10 also includes reduction for "Odom Family LP" which was sold to Wakeland Village Green and became a tax-exempt affordable housing project beginning in FY 2009-10.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Estimated levy shortfall. Based on Table 10 (Historic Receipts to Levy), actual shortfall for FY 2008-2009 was less than 1% based on the trust fund summary.

[8] Based on 20% of Net Tax Increment Revenue.

[9] Based on 20% of "Gross Revenue" less "Estimated Levy Shortfall" through FY 2047-2048. In addition, 16.8% of Gross Revenue is included from FY 2014-2015 through FY 2047-2048 using Year 10 as a base value and 11.2% of Gross Revenue is included from FY 2034-2035 through FY 2047-2048 using Year 30 as a base value.

[10] The Agency was required to make an SERAF payment of approximately $1,376,000 for the Project Area on May 10, 2010. The Agency made such payment with prior-year Project Area non-housing tax increment revenues on hand.

CROSSROADS
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

									YEAR 45
	2039	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**
Fiscal Year Ending:	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**
Real Property [1]	$1,154,121,339	$1,177,203,766	$1,200,747,841	$1,224,762,798	$1,249,258,054	$1,274,243,215	$1,299,728,080	$1,325,722,641	$1,352,237,094
Estimated Real Property Value Increase [2]	23,082,427	23,544,075	24,014,957	24,495,256	24,985,161	25,484,864	25,994,562	26,514,453	27,044,742
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]	0	0	0	0	0	0	0	0	0
Total Real Property	1,177,203,766	1,200,747,841	1,224,762,798	1,249,258,054	1,274,243,215	1,299,728,080	1,325,722,641	1,352,237,094	1,379,281,836
Total Personal Property [4]	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831	21,409,831
Total Value	**1,198,613,597**	**1,222,157,672**	**1,246,172,629**	**1,270,667,885**	**1,295,653,046**	**1,321,137,911**	**1,347,132,472**	**1,373,646,925**	**1,400,691,667**
Incremental Value Over Base of: $518,827,473	679,786,124	703,330,199	727,345,156	751,840,412	776,825,573	802,310,438	828,304,999	854,819,452	881,864,194
Gross Revenue [5]	6,797,861	7,033,302	7,273,452	7,518,404	7,768,256	8,023,104	8,283,050	8,548,195	8,818,642
Unitary Revenue	7,941	7,941	7,941	7,941	7,941	7,941	7,941	7,941	7,941
Adjustments to Gross Revenue									
Supplemental Roll	0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [6]	(67,979)	(70,333)	(72,735)	(75,184)	(77,683)	(80,231)	(82,830)	(85,482)	(88,186)
Estimated Levy Shortfall [7] 1.00%	0	0	0	0	0	0	0	0	0
Net Tax Increment Revenue	6,737,823	6,970,910	7,208,658	7,451,161	7,698,514	7,950,814	8,208,160	8,470,653	8,738,396
Low/Moderate Income Housing Set-Aside Revenue [8]	(1,347,565)	(1,394,182)	(1,441,732)	(1,490,232)	(1,539,703)	(1,590,163)	(1,641,632)	(1,694,131)	(1,747,679)
Taxing Agencies Pass Through (AB 1290) Tier 1 [9]	(1,359,572)	(1,406,660)	(1,454,690)	(1,503,681)	(1,553,651)	(1,604,621)	(1,656,610)	(1,709,639)	(1,763,728)
Taxing Agencies Pass Through (AB 1290) Tier 2 [9]	(736,192)	(775,746)	(816,091)	(857,243)	(899,218)	(942,033)	(985,703)	(1,030,248)	(1,075,683)
Taxing Agencies Pass Through (AB 1290) Tier 3 [9]	(147,706)	(174,076)	(200,972)	(228,407)	(256,390)	(284,933)	(314,047)	(343,743)	(374,034)
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [10]	0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue	**3,146,789**	**3,220,246**	**3,295,173**	**3,371,598**	**3,449,552**	**3,529,064**	**3,610,168**	**3,692,893**	**3,777,272**
Available Housing Tax Increment Revenue	**1,347,565**	**1,394,182**	**1,441,732**	**1,490,232**	**1,539,703**	**1,590,163**	**1,641,632**	**1,694,131**	**1,747,679**
Tax Revenue Available for Debt Service	**4,494,353**	**4,614,428**	**4,736,904**	**4,861,830**	**4,989,254**	**5,119,227**	**5,251,800**	**5,387,023**	**5,524,951**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Fiscal Year 2009-2010 includes anticipated value increase following the sale of residential units within the Parc @ 54 project. Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 6% and 4% for FY 2010-11 and 2011-12, respectively. FY 2009-10 also includes reduction for "Odom Family LP" which was sold to Wakeland Village Green and became a tax-exempt affordable housing project beginning in FY 2009-10.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

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[9] Based on 20% of "Gross Revenue" less "Estimated Levy Shortfall" through FY 2047-2048. In addition, 16.8% of Gross Revenue is included from FY 2014-2015 through FY 2047-2048 using Year 10 as a base value and 11.2% of Gross Revenue is included from FY 2034-2035 through FY 2047-2048 using Year 30 as a base value.

[10] The Agency was required to make an SERAF payment of approximately $1,376,000 for the Project Area on May 10, 2010. The Agency made such payment with prior-year Project Area non-housing tax increment revenues on hand.

EXHIBIT D

NAVAL TRAINING CENTER

FISCAL CONSULTANT REPORT
NAVAL TRAINING CENTER
REDEVELOPMENT PROJECT AREA

Prepared for

REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO
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EXHIBITS

A. TAX INCREMENT REVENUE PROJECTION

I. INTRODUCTION

The Redevelopment Agency of the City of San Diego (the "Agency") anticipates issuing two series of Tax Allocation Bonds in the summer of 2010 to be secured by tax increment revenues from the Naval Training Center Project Area (the "Project Area") as explained in section I.C below. David Taussig & Associates, Inc. ("DTA") has prepared this Fiscal Consultant Report (the "Report") to project tax increment revenues generated by the increase in assessed value of real and personal property within the Project Area. In addition, the Report describes the methodology and assumptions utilized in these projections, evaluating the historic and current taxable values, the projected values of new construction, the effects of pending assessment appeals, and the property tax collection and allocation procedures of the County of San Diego (the "County").

A. NAVAL TRAINING CENTER PROJECT AREA BACKGROUND

The Ordinance approving the Redevelopment Plan (the "Plan") for the Project Area was adopted by the City Council of the City of San Diego in May 13, 1997 (accomplished by Ordinance No. 18405). The Plan was adopted to eliminate conditions of blight in the Project Area by new construction, revitalization and upgrading of residential, commercial, office, and public properties and facilities within and surrounding the Project Area.

Chapter 4.5 (Section 33492) of California Community Redevelopment Law (Health and Safety Code Section 33000 et. seq.) addresses the redevelopment of closed military bases. Pursuant to Section 33492.9 the county auditor is required to certify to the Director of Finance the date of the final day of the first fiscal year in which one hundred thousand dollars ($100,000) or more of the tax increment funds from the Project Area are paid to the Agency. The date, as certified by the San Diego County Auditor, that the Agency first received $100,000 or more from the NTC Project Area was June 30, 2003.

The Plan will remain in effect until thirty (30) years from June 30, 2003. Pursuant to subdivision (a)(2) of Section 33492.13 of the Health and Safety Code, the time limit on the establishment of loans, advances, and bonded indebtedness to be funded through tax increment revenues is twenty (20) years from June 30, 2003. Also, total outstanding bonded indebtedness of the Project Area to be repaid by the allocation of taxes to the Agency is not to exceed $56 million at any point in time. In accordance with subdivision (a)(4) of Section 33492.13 of the Health and Safety Code, the time limit for the receipt of tax increment revenues is forty-five (45) years from June 30, 2003. Please note that the Agency and the City of San Diego adopted Ordinance 0-19513 in July 2006 extending (i) the Plan effectiveness deadline to 2035, (ii) repayment of indebtedness deadline to 2050, and (iii) tax increment receipt deadline by an additional year.

Ordinance Adopted	Tax Increment Collection Limit	Amount of Tax Increment Collected to Date	Maximum Amount of Bonded Indebtedness	Maximum Time Allowed to Incur Bonded Indebtedness
May 13,1997 [1]	46 Years [2]	$21,494,864 [3]	$56 Million	20 Years from County Auditor Certification [4]

[1] The Project Area is a post AB 1290 project area as discussed in Section III.F below.
[2] The time limit for the repayment of indebtedness is also 46 years.
[3] Total receipts for Fiscal Year 2002-2003 through 2008-2009 as shown in Table 10.
[4] Time limits commence from the date the County Auditor certifies the final day of the first fiscal year in which $100,000 in tax increment is paid to the Agency from the Project Area. (Sec. 33492.13(a)(2))

The Project Area is administered by the City Redevelopment Division of the City Planning and Community Investment Department. The Project Area encompasses 504 gross acres and is located 2.5 miles northwest of downtown San Diego. The area includes residential, non-residential, and institutional land uses. The District is bordered on the east by the United States Marine Corps Recruit Depot and San Diego International Airport, on the south by Harbor Drive and the San Diego Bay, and on the north and west by Rosecrans Street and the Loma Portal and Midway communities.

B. Comprehensive Affordable Housing Collaborative

In 2006 the Agency approved the pooling of the housing set-aside funds from the Redevelopment Division's eleven project areas for an Affordable Housing Opportunity Program to provide greater flexibility in financing affordable housing projects throughout the City of San Diego. In July 2007, the Agency approved four separate non-revolving housing lines of credit with San Diego National Bank in an aggregate amount of $34 million secured by the housing set-aside funds from four project areas: City Heights ($11 million); Naval Training Center ($7.1 million); North Bay ($8.6 million); and North Park ($7.3 million). Of the $34 million, $29 million was allocated to the Affordable Housing Opportunity Program, including Naval Training Center's $7.1 million. The Affordable Housing Opportunity Program has provided approximately $26 million for affordable housing projects in the North Park, San Ysidro, Barrio Logan, Crossroads, and City Heights project areas.

Housing proceeds from the Series 2010 Bonds not needed for housing programs or developer repayments in the Project Area will be available for projects in other project areas through the Comprehensive Affordable Housing Collaborative Program.

C. Proposed Series 2010 Bonds

The Agency anticipates issuing two series of tax allocation bonds in the summer of 2010: one stand-alone tax-exempt series secured by non-housing tax increment revenues, and one pooled taxable series secured by housing tax increment revenues from the Project Area and the City Heights, Crossroads, North Bay, North Park, and San Ysidro project areas.

The tax-exempt proceeds of the stand-alone bonds supported by non-housing tax increment are expected to be used for public improvements in the Project Area. The proceeds of the

pooled housing bonds are expected to be used for repaying bank lines of credit and to finance a portion of the costs for low and moderate income affordable housing projects within or of benefit to the project areas listed above.

D. Loan Agreements and Method of Financing

1. U.S. Department of Housing and Urban Development Loan

In 2003, the Agency entered into a Rehabilitation Grant Agreement with the NTC Foundation to contribute $5.85 million for the rehabilitation of six historic buildings in the NTC Civic, Arts and Cultural Center. Funds for the Rehabilitation Grant Agreement were provided by a $5.91 million Section 108 loan the City received from the U.S. Department of Housing and Urban Development ("HUD") in 2004. Annual payments on the loan are made from Project Area tax increment revenues. The total amount of outstanding loans is approximately $7.18 million, of which approximately $5.07 million is principal.

The Agency's obligation to repay the loan is subordinate to the Agency's repayment obligation with respect to any bonds, notes, or other indebtedness issued by the Agency.

2. Agency Debt to the City

a. Community Development Block Grant Program

In 2008, the Office of Inspector General ("OIG") of the HUD audited the City's Community Development Block Grant ("CDBG") program and issued a report to HUD which recommended, among others, that the City initiate repayment plans for CDBG loans to the Agency. City and Agency staff worked with HUD representatives over the past year to develop a plan to address the OIG's report and have agreed upon a 10 year schedule of repayment to the San Diego CDBG Program. A February 2010 report to the Agency Board and the City Council recommended that staff be directed to prepare a CDBG Loan Repayment Agreement between the Agency and the City for future Board and City Council approval. It was also recommended that the terms of the proposed Repayment Agreement include the following provisions, among others: 1) that all repayments made by the Agency pursuant to the Repayment Agreement and all obligations and any indebtedness of the Agency to the City created by the Repayment Agreement shall be subordinate to any pledge of tax increment to bond holders of any tax allocation bonds which have been or may be issued by the Agency; and 2) that repayments by the Agency may be made using tax increment funds, land proceeds, or other revenues of the Agency.

The total amount of outstanding CDBG loans as of June 30, 2009 for the Project Area is approximately $316,000, of which approximately $149,000 is principal. Loans from the City were provided in the years preceding and

immediately following the adoption of the Project Area, to pay the costs associated with adoption and administration of the Project Area until a sufficient stream of tax increment revenue was generated.

b. NON-CDBG DEBT

Non-CDBG debt includes loans from the City's sales tax, capital outlay, TransNet (transportation), and general funds. The City utilized general fund monies to fund the NTC base reuse process and the adoption of the NTC Redevelopment Plan. The City's funding of the Project Area was recorded as interest bearing loans to the Agency.

The Project Area has $2.15 million in outstanding non-CDBG related debt to the City as of June 30, 2009, of which approximately $1.3 million is principal. Loans from the City were provided in the years preceding and immediately following the adoption of the Project Area, to pay the costs associated with adoption and administration of the Project Area until a sufficient stream of tax increment revenue was generated.

c. COOPERATION AGREEMENT

In addition, pursuant to a Cooperation Agreement between the City and the Agency dated June 26, 2000, approximately 429 acres was sold by the City to the Agency for $8.3 million for the Agency to implement the NTC Reuse Plan and NTC Redevelopment Plan. The Agency is to pay the City on demand from available tax increment revenue or other sources not otherwise needed to carry out the Redevelopment Plan. The Agency's obligation is subordinate to any pledge of tax increment made in connection with any bonds or other obligations issued by the Agency to finance the redevelopment of the Project Area. However, repayment is to be made no later than the Project Area's time limit for the repayment of indebtedness, 2050. Compounded interest accrues annually. The outstanding balance is $15,567,557, of which $8,300,000 is principal and $7,267,557 is interest.

II. PROJECT TAXABLE VALUES

The County of San Diego Assessor (the "Assessor") determines the assessed valuations of real and personal property. The secured roll is the Assessor's roll, which contains real property for which taxes are secured by a lien on the property, and the unsecured roll contains business personal property, for which taxes are not secured by a lien. The County assigns values to each Assessor's Parcel, which is listed in turn by an Assessor's Parcel Number ("APN"). The Assessor releases the equalized Assessor's roll on or prior to the first of July of each Fiscal Year. At this time, the Auditor Controller compiles the tax roll based on this information. The Auditor Controller assigns each APN to a Tax Rate Area ("TRA"), which is a geographic area containing Assessor's Parcels with the same tax rates. The Project Area consists of TRA 008-254. The Auditor Controller is responsible for combining the assessed values provided by the Assessor for all APNs within the Project Area and releasing a report each July showing the secured and unsecured values for the current and base year as well as the incremental value for the entire Project Area.

Based on discussions with the County Auditor and County Assessor, there are discrepancies in the total net assessed values provided by each agency due to procedural differences and timing of obtaining the data. Please note that Table 1 is based on values provided by the County Auditor. Since the County Assessor's secured values are lower than the Auditor's values, we have conservatively used the lower secured values in Tables 2, 3, 11, and 12 and the tax increment projections in Tables 13 and Exhibit A. The secured assessed values shown in Tables 13 and Exhibit A are based on the County Assessor assessed values and the unsecured assessed values shown in these tables are based on the County Auditor values. Please note that the Fiscal Year 2009-2010 assessed values shown herein are dated as of January 1, 2009.

A. Historic Taxable Values

DTA researched historic secured and unsecured taxable values in the Project Area for Fiscal Years 2001-2002 through 2009-2010. These values, which are based on information provided by the County of San Diego Auditor Controller, are shown in Table 1. As listed in the table, the base year value for the Project Area is $0, and the total secured and unsecured value for the Project Area has risen from $0 in Fiscal Year 2001-2002 to $493 million Fiscal Year 2009-2010.

Furthermore, as shown in Table 1 below, assessed values for property located within the Project Area experienced triple digit percentage increases from Fiscal Year 2002-2003 through Fiscal Year 2003-2004 followed by double-digit percentage increases from Fiscal Year 2004-2005 through Fiscal Year 2006-2007. Much of this annual increase can be attributed to value changes due to development of the Project Area which resulted in the construction of 349 new residential units, seven new office buildings totaling approximately 380,000 square feet, two hotels totaling 350 rooms, a 46-acre park and waterfront esplanade as well as the rehabilitation of approximately 325,000 square feet of buildings for commercial use and the rehabilitation of seven historic buildings in the NTC Civic, Arts and Cultural Center.

In Fiscal Year 2009-2010, property located within the Project Area experienced an increase

in value of approximately 9% from Fiscal Year 2008-2009. Despite the reductions in value due to Proposition 8 reductions and ownership change, the resulting net increase in value was due to new construction activity in the Project Area. Please refer to Section II.D.2 below for more information regarding the changes in value for Fiscal Year 2009-10.

TABLE 1
HISTORICAL TAX INCREMENT VALUES [1]

	FY 2001-2002 Taxable Value [3]	FY 2002-2003 Taxable Value	FY 2003-2004 Taxable Value	FY 2004-2005 Taxable Value	FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	FY 2008-2009 Taxable Value	FY 2009-2010 Taxable Value
Secured Values [2]									
Land	$0	$11,090,000	$75,289,623	$103,538,887	$181,535,185	$226,118,963	$220,996,992	$223,602,190	$215,734,612
Improvement	0	0	25,076,273	106,197,843	172,114,802	165,164,734	208,962,172	278,728,341	325,824,790
Personal Property	0	0	0	0	404,315	408,225	463,836	486,680	3,298,348
Gross Value	0	11,090,000	100,365,896	209,736,730	354,054,302	391,691,922	430,423,000	502,817,211	544,857,750
Less Exemptions	0	0	0	(13,384,540)	(16,504,227)	(7,051,107)	(51,190,293)	(65,319,524)	(69,351,177)
Total Secured	**0**	**11,090,000**	**100,365,896**	**196,352,190**	**337,550,075**	**384,640,815**	**379,232,707**	**437,497,687**	**475,506,573**
Unsecured Values [2]									
Land	0	0	0	0	0	0	0	0	0
Improvement	0	0	0	0	12,832	293,173	1,598,922	7,911,209	6,225,385
Personal Property	0	8,158	480,646	540,989	2,213,218	6,501,106	43,098,283	24,148,630	24,365,536
Gross Value	0	8,158	480,646	540,989	2,226,050	6,794,279	44,697,205	32,059,839	30,590,921
Less Exemptions	0	0	0	0	(1,715,190)	(3,158,265)	(38,735,206)	(16,583,996)	(12,710,349)
Total Unsecured	**0**	**8,158**	**480,646**	**540,989**	**510,860**	**3,636,014**	**5,961,999**	**15,475,843**	**17,880,572**
Total Secured and Unsecured	**0**	**11,098,158**	**100,846,542**	**196,893,179**	**338,060,935**	**388,276,829**	**385,194,706**	**452,973,530**	**493,387,145**
Percentage Change in Total Value	N/A	N/A	808.68%	95.24%	71.70%	14.85%	-0.79%	17.60%	8.92%
Base Year Value [4]	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Incremental Value	**0**	**11,098,158**	**100,846,542**	**196,893,179**	**338,060,935**	**388,276,829**	**385,194,706**	**452,973,530**	**493,387,145**
Percentage Change in Incremental Value	N/A	N/A	808.68%	95.24%	71.70%	14.85%	-0.79%	17.60%	8.92%

[1] Assessed values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] Based on information provided by the County of San Diego Auditor/Controller as indicated in "Report Val File-04 PSVVP70@".
[3] No tax increment was collected during FY 2001-2002.
[4] Base value is $0.

Note: Table 1 is based on values provided by the Auditor while Tables 2, 3, 11, and 12 are based on values provided by the County Assessor. Based on discussions with the County Auditor/Controller and County Assessor, discrepancies in the total net assessed values are due to procedural differences and timing in obtaining exemption data.

B. Values by Land Use Type

The Project Area includes a combination of land uses based on an analysis of the Fiscal Year 2009-2010 Assessor's roll. This allocation indicates that 46.05% of the Project Area valuation is attributable to residential land uses (all of which is single family residential), 49.45% of the value is attributable to commercial property (of which 5.75% is retail and 26.31% is office space), 0.98% is attributable to industrial property, and 3.52% of the value is attributable to institutional and recreational property. The breakdown by land use type is shown in Table 2.

TABLE 2
FY 2009-2010 ASSESSED VALUE BY LAND USE

Land Use [1]	No. of Parcels [1]	Units	Secured Total Net Assessed Value [2]	Percent of Net Assessed Value
Residential Property (land use codes 07 through 19)				
Single Family Residential	349	349	$218,248,793	46.05%
Miscellaneous	1	0	$0	0.00%
Subtotal	350	349	$218,248,793	46.05%
Commercial Property (land use codes 20 through 39)				
Office Space	22	NA	$124,687,960	26.31%
Retail	6	NA	$27,258,719	5.75%
Hotel	2	NA	$68,725,793	14.50%
Vacant Land	22	NA	$13,666,068	2.88%
Other Uses	1	NA	$0	0.00%
Subtotal	53	NA	$234,338,540	49.45%
Industrial Property (land use codes 40 through 49)				
Factory/Manufacturing	4	NA	$4,639,853	0.98%
Subtotal	4	NA	$4,639,853	0.98%
Institutional Property (land use codes 70 through 79)	11	NA	$5,471,700	1.15%
Recreational Property (land use codes 80 through 84)	3	NA	$11,214,486	2.37%
Miscellaneous Use (land use codes 85 through 89 and 00)	9	NA	$1	0.00%
Total	**430**	**349**	**$473,913,373**	**100.00%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-2010 Assesssor's Roll.
[2] Based on final FY 2009-2010 Assessor's Roll. Land use codes provided by the County Assessor.

Note: Table 1 is based on values provided by the Auditor while Tables 2, 3, 11, and 12 are based on values provided by the County Assessor. Based on discussions with the County Auditor/Controller and County Assessor, discrepancies in the total net assessed values are due to procedural differences and timing in obtaining exemption data.

C. Ten Major Assessees

Table 3 presents the top ten assessees from the Fiscal Year 2009-2010 equalized roll. The table shows the assessee name/owner, the land use of Assessor's Parcels under their ownership, the number of Assessor's Parcels under their ownership, the total net assessed valuation under their ownership, the percentage of the total Project Area assessed value represented by that owner's property, and the percentage of the total Project Area incremental value represented by the applicable owner's property.

As of May 10, 2010, all top ten assessees are current in the payment of their property taxes.

Among the top ten assesses, Liberty Station HHG Hotel has contested that the Fiscal Year 2009-10 assessed value of one of their parcels should be reduced to $18,000,000 from $40,258,287; McMillin-NTC Landing LLC has contested that the Fiscal Year 2009-10 assessed value of one of their parcels should be reduced to $5,750,000 from $11,795,000; and finally The Vons Companies Inc. has contested that the Fiscal Year 2009-10 assessed value of one of their parcels should be reduced to $9,300,000 from $18,666,000. These appeals have not yet been resolved by the County, but DTA has assumed the appeals are resolved at the applicant's opinion of value or at a rate of 60% of the contested value.

TABLE 3
FY 2009-2010 TOP TEN ASSESSEES

Owner [1]	Land Use	No. of Parcels [1]	Secured Total Net Assessed Value [2]	Percent of Secured Total Net Value	Percent of Incremental Value [2]
Liberty Station HHG Hotel LP/City of San Diego Redevelopment Agency [3,4]	Hotel/Motel	2	$68,725,793	14.50%	13.93%
McMillin-NTC Landing LLC/City of San Diego Redevelopment Agency [3,5,6]	Store Building	7	$20,159,140	4.25%	4.09%
The Vons Companies Inc/City of San Diego Redevelopment Agency [3,7]	Store Building	1	$18,666,000	3.94%	3.78%
McMillin-NTC LLC/City of San Diego Redevelopment Agency [3,5]	Vacant Commercial/Store Building/Church	10	$18,246,719	3.85%	3.70%
McMillin NTC 902 LLC [5]	Office Building	1	$16,109,800	3.40%	3.27%
McMillin NTC 903/904 LLC [5]	Office Building	1	$13,573,196	2.86%	2.75%
CDC Small Business Finance Corp	Office Building	1	$10,428,980	2.20%	2.11%
McMillin NTC 193 LLC/City of San Diego Redevelopment Agency [3,5]	Store Building	1	$10,330,257	2.18%	2.09%
Building 907 LLC	Office Building	1	$9,975,224	2.10%	2.02%
McMillin NTC 901 LLC [5]	Office Building	1	$9,829,189	2.07%	1.99%
Grand Total	**NA**	**26**	**$196,044,298**	**41.37%**	**39.73%**

SECURED TOTAL NET ASSESSED VALUE OF TOP 5 OWNERS:	**$141,907,452**
SECURED TOTAL NET ASSESSED VALUE OF TOP 10 OWNERS:	**$196,044,298**
SECURED TOTAL NET ASSESSED VALUE:	**$473,913,373** [8]
TOTAL TAX INCREMENT VALUE:	**$493,387,145** [8]
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL SECURED NET VALUE:	**29.94%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL TAX INCREMENT VALUE:	**28.76%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL SECURED NET VALUE:	**41.37%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL TAX INCREMENT VALUE:	**39.73%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-2010 Assesssor's Roll.

[2] Based on final FY 2009-2010 Assessor's Roll.

[3] Based on ownership information provided by the County of San Diego as of 1/1/09, parcels are leased from the City of San Diego Redevelopment Agency.

[4] As shown in the Appeals section, Liberty Station HHG Hotel LP contests that the value of one of its two parcels should be reduced from the original value of $40,258,287 to $18,000,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 60% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[5] The properties owned and/or leased by the various "McMillin" entities (including entities not shown above) account for a total net assessed value of $107,848,399 which is equal to 22.76% of the total net assessed value and 21.86% of the total tax increment value.

[6] As shown in the Appeals section, McMillin-NTC Landing LLC contests that the value of one of its seven parcels should be reduced from the original value of $11,795,000 to $5,750,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 60% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[7] As shown in the Appeals section, The Vons Companies Inc. contests that the value of its parcel should be reduced to $9,300,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 60% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[8] The total net assessed value shown herein is based on the secured value only. The total tax incremental value is based on the total secured and unsecured value.

D. ASSESSMENT APPEALS

1. INTRODUCTION

If a property owner believes that the assessed value of his/her property is inaccurate, an appeal may be filed with the County Assessment Appeals Board during the period between July and November of each fiscal year. A resolved appeal may produce a reduction in the original contested value and a refund to the property owner for overpaid property taxes. If the appeal is withdrawn, there is no change in the original value.

During a real estate market downturn, the market value of property may fall below the assessed value. Under State law, Proposition 8 allows property owners to apply for a temporary reduction in assessed value to match the current market value. As market values increase, the assessed property values will also increase up to the original assessed value (plus the annual California Consumer Price Index ("CPI") increase, not to exceed 2%, as required by Proposition 13).

In addition, the County Assessor's office allows property owners to file a Proposition 8 reduction request to their area appraiser between January and May of each fiscal year in order to reduce the assessed value of their property without having to file an assessment appeal with the County Assessment Appeals Board, otherwise known as an informal review. The County Assessor's office provides this option to property owners in order to limit the number of assessment appeals requiring hearings before the County Assessment Appeals Board. In order to calculate the reduced assessed value, the area appraiser will use several variables, including the date of construction, land use type, and recent comparable sales from the surrounding area.

A property owner may file multiple appeals for one parcel (for the same or different fiscal year), resulting in a parcel having several appeals being reviewed by the County Assessment Appeals Board at any time. Based on discussions with the County Assessment Appeals Board, in cases where multiple appeals have been filed on one parcel, typically one appeal will be resolved and subsequent appeals will not result in further reductions of value. Therefore, for purposes of this analysis, DTA has assumed only one appeal resulted in a reduction in value, and subsequent pending appeals will result in no change in value. There are currently no multiple appeals filed on a parcel within the project area.

As of March 8, 2010, there were nine unresolved appeals for nine parcels within the Project Area. Tables 4 through 7 show recent historical assessment appeals in the Project Area, providing the following information: fiscal year in which appeal was received, land use, owner/applicant name, number of parcels being appealed by owner/applicant, whether or not appeal is for Proposition 8, number of pending appeals included in our analysis (when multiple appeals have been filed on one parcel), the status of the appeal, the contested assessed value, the applicant's opinion of value, the proposed changed value for pending appeals or board approved value for resolved appeals, and the impact of the changed values.

2. APPEALS INFORMATION PROVIDED BY THE COUNTY

The County Assessor has provided the following information for inclusion in this Fiscal Consultant Report.

> For Fiscal Year 2009-2010, the County Assessor's office received approximately 32,000 applications County-wide for reductions of assessed values of real property during their "informal" review process (1/1/2009 – 5/30/2009) for such fiscal year. In addition to the 32,000 informal applications, the County Assessor's office was proactive and, on its own, reduced the assessed values for approximately 72,000 properties County-wide. Less than 3,500 of the 104,000 total reductions were for non-residential properties. When the County Assessor's office receives a large number of requests from a specific area, such as a condominium complex or subdivision of tract homes, the County Assessor may choose to review the entire complex or the entire tract.
>
> In addition to the 104,000 reductions discussed above, over 6,447 "formal" assessment appeal applications were received for Fiscal Year 2009-2010 during the County's formal review period (7/2/2009 – 11/30/2009) for such fiscal year. Because these appeals are going through the County's formal process, any reductions to value will take longer to appear on the tax roll than reductions made through the County's informal appeal process described above.
>
> For the Fiscal Year 2010-2011 roll, the County Assessor estimated a County-wide reduction in net assessed value of approximately 1.0% from the Fiscal Year 2009-2010 roll. This reduction is based on economic factors such as lower sales prices, reduced levels of new construction, Fiscal Year 2009-2010 appeals/reductions, as well as the 0.237% decline in the CPI which will be applied to all property subject to Proposition 13 (rather than the typical 2% annual increase). For Fiscal Year 2011-2012, the County Assessor estimates a County-wide reduction similar to Fiscal Year 2010-2011, based on historical trends.
>
> In order to estimate the magnitude of the Fiscal Year 2010-2011 change in value for the Project Area, DTA compared the historical Project Area change in value to the County-wide reduction in value from Fiscal Year 2008-2009 to Fiscal Year 2009-2010. Based on discussions with the Agency, the Project Area is anticipated to experience declines that are slightly higher than the County-wide average due to project specific factors. Therefore, we have assumed a reduction in value of 2% and 1% for Fiscal Years 2010-2011 and 2011-2012, respectively. The chart below summarizes the reduction in assessed values and its impact on incremental value.

Fiscal Year	Approximate County-wide Change in Assessed Value [1]	Project Area Change in Assessed Value	Project Area Change in Incremental Value
Actual 2009-2010	-3%	+9%	+9%
Estimated 2010-2011	-1%	-2%	-2%
Estimated 2011-2012	-1%	-1%	-1%
[1] Based on information provided by the County of San Diego Assessor's Office.			

3. Historical Appeal Reductions

For purposes of the analysis, DTA researched the pending and recently resolved assessment appeals to determine how tax refunds as a result of appeals might reduce the tax increment received by the Agency from the Project Area.

For purposes of this analysis, DTA has excluded any appeals that were withdrawn by the applicant. In addition, DTA has assumed that pending appeals will result in a reduced value equal to the greater of the applicant's opinion of value or 92% of the contested value for residential properties, and the greater of the applicant's opinion of value or 60% of the contested value for non-residential properties. The estimated reduction for pending appeals is based on an analysis of resolved assessment appeal data for property in the Project Area and other project specific factors and estimated County-wide value reductions going forward as explained in Section II.D.2 above.

4. Fiscal Year 2006-2007 Appeals

During Fiscal Year 2006-2007, a total of 11 appeals were filed in the Project Area as shown in Table 4. All 11 appeals with a total Fiscal Year 2006-2007 assessed value of $15,947,412 were resolved with a reduction in value of $6,752,412 for Fiscal Year 2006-2007, a 42.34% decline.

TABLE 4
FY 2006-2007 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis[2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
FY 2006-07 Appeals								
Pending Appeals	*0*	*0*	*0*	*$0*	*$0*	*$0*	*$0*	*0.00%*
Resolved Appeals								
Non-Residential								
CITY OF SAN DIEGO NTC 6/7	1	0		2,375,000	442,885	435,000	(1,940,000)	-81.68%
MCMILLIN-NTC LLC	10	2		$13,572,412	$7,920,000	$8,760,000	($4,812,412)	-35.46%
Subtotal - Non-Residential	11	2	NA	$15,947,412	$8,362,885	$9,195,000	($6,752,412)	-42.34%
Pending Appeals	0	0	0	$0	$0	$0	$0	0.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	11	2	NA	$15,947,412	$8,362,885	$9,195,000	($6,752,412)	-42.34%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Total FY 2006-2007 Pending and Resolved Appeals	11	2	NA	$15,947,412	$8,362,885	$9,195,000	($6,752,412)	-42.34%

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 92% of the contested value for Residential parcels or a rate of 60% of the contested value for Non-Residential parcels. Actual resolved appeals in the Project Area since FY 2006-2007 resulted in an average reduction of 9% and 42% for Residential and Non-Residential parcels, respectively.
[2] There are currently no multiple appeals filed on one parcel within the project area. For purposes of this analysis, if multiple appeals have been filed on one parcel, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.

5. Fiscal Year 2007-2008 Appeals

During Fiscal Year 2007-2008, a total of three appeals were filed in the Project Area as shown in Table 5. All three appeals with a total Fiscal Year 2007-2008 assessed value of $3,427,284 were resolved with a total reduction in value of $260,745 for Fiscal Year 2007-2008, a 7.61% decline.

TABLE 5
FY 2007-2008 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis[2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	*0*	*0*	*0*	*$0*	*$0*	*$0*	*$0*	*0.00%*
Resolved Appeals								
Residential								
INDIVIDUAL HOMEOWNERS	3	3		$3,427,284	$2,517,539	$3,166,539	($260,745)	-7.61%
Subtotal - Residential	3	3	NA	$3,427,284	$2,517,539	$3,166,539	($260,745)	-7.61%
Pending Appeals	0	0	0	$0	$0	$0	$0	0.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	3	3	NA	$3,427,284	$2,517,539	$3,166,539	($260,745)	-7.61%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Total FY 2007-2008 Pending and Resolved Appeals	3	3	NA	$3,427,284	$2,517,539	$3,166,539	($260,745)	-7.61%

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 92% of the contested value for Residential parcels or a rate of 60% of the contested value for Non-Residential parcels. Actual resolved appeals in the Project Area since FY 2006-2007 resulted in an average reduction of 9% and 42% for Residential and Non-Residential parcels, respectively.
[2] There are currently no multiple appeals filed on one parcel within the project area. For purposes of this analysis, if multiple appeals have been filed on one parcel, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.

6. Fiscal Year 2008-2009 Appeals

During Fiscal Year 2008-2009, a total of 13 appeals were filed in the Project Area as shown in Table 6. All 13 appeals with a total Fiscal Year 2008-2009 assessed value of $11,602,446 were resolved with a total reduction in value of $1,111,464 for Fiscal Year 2008-2009, a 9.58% decline.

TABLE 6
FY 2008-2009 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis[2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	*0*	*0*	*0*	*$0*	*$0*	*$0*	*$0*	*0.00%*
Resolved Appeals								
Residential								
INDIVIDUAL HOMEOWNERS	13	13		$11,602,446	$9,080,820	$10,490,982	($1,111,464)	-9.58%
Subtotal - Residential	13	13	NA	$11,602,446	$9,080,820	$10,490,982	($1,111,464)	-9.58%
Pending Appeals	0	0	0	$0	$0	$0	$0	0.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	13	13	NA	$11,602,446	$9,080,820	$10,490,982	($1,111,464)	-9.58%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Total FY 2008-2009 Pending and Resolved Appeals	13	13	NA	$11,602,446	$9,080,820	$10,490,982	($1,111,464)	-9.58%
Grand Total - Pending Appeals				**$99,415,963**	**$55,772,890**	**$65,617,262**	**($33,798,701)**	**-34.00%**
Grand Total - Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll				**$24,396,742**	**$17,068,244**	**$18,762,521**	**($5,634,221)**	**-23.09%**
Grand Total - Resolved Appeals After Final FY 2009-2010 Assessor Roll				**$0**	**$0**	**$0**	**$0**	**0.00%**
GRAND TOTAL - Pending and Resolved Appeals				**$123,812,705**	**$72,841,134**	**$84,379,783**	**($39,432,922)**	**-31.85%**

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 92% of the contested value for Residential parcels or a rate of 60% of the contested value for Non-Residential parcels. Actual resolved appeals in the Project Area since FY 2006-2007 resulted in an average reduction of 9% and 42% for Residential and Non-Residential parcels, respectively.
[2] There are currently no multiple appeals filed on one parcel within the project area. For purposes of this analysis, if multiple appeals have been filed on one parcel, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.

7. Fiscal Year 2009-2010 Appeals

During Fiscal Year 2009-2010, a total of four residential and five non-residential appeals were filed in the Project Area as shown in Table 7. All four residential appeals and five non-residential appeals remain pending with a total Fiscal Year 2009-2010 assessed value of $2,948,676 and $96,467,287, respectively. DTA has estimated a total reduction of $212,986 for the residential appeals and $33,585,715 for the non-residential appeals which represents 7.22% and 34.82% of the contested value, respectively, as described in Section II.D.3 above.

TABLE 7
FY 2009-2010 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis[2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals								
Residential								
Individual Homeowner [1]	4	4	4	$2,948,676	$2,272,890	$2,735,690	($212,986)	-7.22%
Subtotal - Residential	4	4	4	$2,948,676	$2,272,890	$2,735,690	($212,986)	-7.22%
Non-Residential								
LIBERTY STATION 210 INVESTORS, LLC	1	0	1	$8,000,000	$6,950,000	$6,950,000	($1,050,000)	-13.13%
MCMILLIN NTC LANDING LLC	1	0	1	$11,795,000	$5,750,000	$7,077,000	($4,718,000)	-40.00%
VONS CO INC	1	1	1	$18,666,000	$9,300,000	$11,199,600	($7,466,400)	-40.00%
LIBERTY STATION EDUCATION CENTER LLC	1	1	1	$17,748,000	$13,500,000	$13,500,000	($4,248,000)	-23.94%
LIBERTY STATION HHG HOTEL LP	1	1	1	$40,258,287	$18,000,000	$24,154,972	($16,103,315)	-40.00%
Subtotal - Non-Residential	5	3	5	$96,467,287	$53,500,000	$62,881,572	($33,585,715)	-34.82%
Resolved Appeals	0	0	NA	$0	$0	$0	$0	0.00%
Pending Appeals	9	7	9	$99,415,963	$55,772,890	$65,617,262	($33,798,701)	-34.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Total FY 2009-2010 Pending and Resolved Appeals	9	7	NA	$99,415,963	$55,772,890	$65,617,262	($33,798,701)	-34.00%
Grand Total - Pending Appeals				**$99,415,963**	**$55,772,890**	**$65,617,262**	**($33,798,701)**	**-34.00%**
Grand Total - Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll				**$24,396,742**	**$17,068,244**	**$18,762,521**	**($5,634,221)**	**-23.09%**
Grand Total - Resolved Appeals After Final FY 2009-2010 Assessor Roll				**$0**	**$0**	**$0**	**$0**	**0.00%**
GRAND TOTAL - Pending and Resolved Appeals				**$123,812,705**	**$72,841,134**	**$84,379,783**	**($39,432,922)**	**-31.85%**

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 92% of the contested value for Residential parcels or a rate of 60% of the contested value for Non-Residential parcels. Actual resolved appeals in the Project Area since FY 2006-2007 resulted in an average reduction of 9% and 42% for Residential and Non-Residential parcels, respectively.
[2] There are currently no multiple appeals filed on one parcel within the project area. For purposes of this analysis, if multiple appeals have been filed on one parcel, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.

8. Top Taxpayer Appeals

As indicated in Table 3, Liberty Station HHG Hotel LP, McMillin-NTC Landing LLC and The Vons Companies Inc., have appealed the assessed value for one or more Assessor's Parcels that they currently own. Liberty Station HHG Hotel has contested that the Fiscal Year 2009-10 assessed value of one of their parcels should be reduced to $18,000,000 from $40,258,287; McMillin-NTC Landing LLC has contested that the Fiscal Year 2009-10 assessed value of one of their parcels should be reduced to $5,750,000 from $11,795,000; and finally The Vons Companies Inc. has contested that the Fiscal Year 2009-10 assessed value of one of their parcels should be reduced to $9,300,000 from $18,666,000. These appeals have not yet been resolved by the County, but DTA has assumed the appeals are resolved at the applicant's opinion of value or at a rate of 60% of the contested value as described in Section II.D.3 above.

E. Projections of Total Assessed Values

Due to the fact that the current real estate market downturn may last for several years, we have estimated an annual reduction of assessed values through Fiscal Year 2011-2012. As discussed in Section II.D.2 above, we have assumed a reduction in value of 2% and 1% for Fiscal Years 2010-2011 and 2011-2012, respectively. We have then assumed no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter. However, we are not showing the increase in values back to base values for any value reductions other than the 1% and 2% annual increases as described above. It is important to note that the actual reduction to tax increment for future years may be higher or lower for a number of different reasons, including filing of additional appeals in future years.

III. PROJECT TAX INCREMENT REVENUE ALLOCATION

A. TAX RATES

Tax increment revenues in this analysis are calculated by applying the tax rate determined by the County Assessor to the annual incremental assessed value of the Project Area. The general ad valorem tax rate is $1 per $100 of assessed value. In addition to this rate, an override rate reflects the debt service for various agencies which have issued bonds in the Project Area. Pursuant to Section 33670 (e) of the Health and Safety Code, approved on November 8, 1988, tax increment revenues cannot be calculated using property taxes generated from voter-approved bonded indebtedness on or following January 1, 1989. Table 8 shows the Fiscal Year 2009-2010 rates in the Project Area, separating the override amounts attributed to bonded indebtedness by participating agencies which excludes those that started levying a charge after January 1, 1989. Thus, the Fiscal Year 2009-2010 tax rate used to calculate tax increment in the Project Area is $1.00930 per $100 of assessed value. DTA assumes a secured tax rate of $1.00 per $100 after Fiscal Year 2009-2010 as the override rates usually decline over time as values increase and bonded indebtedness is paid off.

TABLE 8
SUMMARY OF PARTICIPATING AND NON-PARTICIPATING AGENCIES

Participating Agencies [1]	FY 2008-2009 Rates for TRA 008-254 [3]	FY 2009-2010 Rates for TRA 008-254 [3]
	1.00000%	1.00000%
City of San Diego Zoological Exhibit	0.00500%	0.00500%
Metropolitan Water District	0.00430%	0.00430%
Subtotal	1.00930%	1.00930%
Non-Participating Agencies [2]		
San Diego City Public Safety	0.00108%	0.00113%
San Diego Unified Bond Series 1999A	0.00788%	0.00868%
San Diego Unified Bond Series 2000B	0.00639%	0.00717%
San Diego Unified Bond Series 2001C	0.00734%	0.00824%
San Diego Unified Bond Series 2002D	0.00965%	0.01074%
San Diego Unified Bond Series 2003E	0.01411%	0.01514%
San Diego Unified Bond Series 1998F	0.00324%	0.00351%
San Diego Unified Bond Series 1998G	0.00440%	0.00496%
San Diego Unified Bond Series 2006 F-1	0.00458%	0.00464%
San Diego Unified Bond Series 2006 G-1	0.00425%	0.00362%
San Diego Community College Bond 2003A	0.00068%	0.00213%
San Diego Community College Bond 2003B	0.00840%	0.00917%
San Diego Community College Bond 2006A	0.00304%	0.00845%
San Diego Community College Bond 2009C	0.00000%	0.00507%
Subtotal	0.07504%	0.09265%
Grand Total	**1.08434%**	**1.10195%**

[1] Agencies that began levying an annual charge before January 1, 1989.
[2] Agencies that have been levying an annual charge after January 1, 1989.
[3] Tax rates based on information provided by the San Diego County Auditor/Controller.

B. Supplemental Taxes, Delinquencies, Penalties, Interest

Supplemental property taxes are a result of change in ownership of property or new construction. They are based on the difference between the prior year value and the new value and can represent either a positive or negative impact to the Project Area value. They are allocated to the Agency throughout the year and included in the ten apportionments made each year to the Agency by the Auditor Controller. The history of supplemental tax receipts in the Project Area is shown in Table 9. To be conservative, future supplemental assessments are not projected.

TABLE 9
ALLOCATION ADJUSTMENTS [1]

Year	Supplemental Roll	Roll Corrections	Refunds/Adjustments	Delinquencies/ Penalties	Total Adjustments
1999-2000	$0.00	($1.91)	($0.19)	$0.00	($2.10)
2000-2001	$0.00	$13.76	($2.13)	$8.98	$20.61
2001-2002	$0.00	$0.00	$0.00	$0.00	$0.00
2002-2003 [2]	$390,960.83	($682.47)	($19,585.66)	$8.97	$370,701.67
2003-2004	$495,844.65	($7,129.41)	($29,656.12)	$1,842.20	$460,901.32
2004-2005	$788,655.55	($5,998.14)	($45,648.09)	$14,696.95	$751,706.27
2005-2006	$833,901.08	($9,200.68)	($300,778.03)	$33,907.09	$557,829.46
2006-2007	$290,844.78	($1,197.02)	($44,601.16)	$65,207.84	$310,254.44
2007-2008	$179,546.41	$3,429.53	($33,806.20)	$103,908.83	$253,078.57
2008-2009	$438,669.29	($11,111.73)	($89,033.62)	$150,294.72	$488,818.66

[1] Based on information in the Agency Trust Fund Summary, prepared by the County of San Diego Auditor-Controller.
[2] Fiscal Year 2002-2003 reflects the first year tax increment monies were collected.

Tax increment payments can also be adjusted due to roll corrections, delinquencies, penalties, and interest. Property taxes on assessed valuations that are reduced due to later assessment appeals result in refunds for the taxes paid based on the original value. The historical amounts of these adjustments are also shown in Table 9.

The historical percentage of tax receipts to the actual amount of taxes levied is shown in Table 10. Please note that the total tax receipts collected often exceed the amount levied due to collection of penalties and interest.

TABLE 10
HISTORIC RECEIPTS TO LEVY ANALYSIS [1]

Fiscal Year Ending:	2002 2003	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
I. Reported Assessed Value							
Total Project Value [2]	$11,098,158	$100,846,542	$196,893,179	$338,060,935	$388,276,829	$385,194,706	$452,973,530
Less Base Value	0	0	0	0	0	0	0
Incremental Value	11,098,158	100,846,542	196,893,179	338,060,935	388,276,829	385,194,706	452,973,530
Tax Rate	1.01670%	1.11000%	1.01080%	1.01020%	1.00970%	1.00950%	1.00930%
II. Gross Tax Increment	112,835	1,119,397	1,990,196	3,415,092	3,920,431	3,888,541	4,571,862
Unitary Revenue	1	1	1	1	911	9,730	10,005
County Administrative Expenses	(2,834)	(8,153)	(18,762)	(29,167)	(31,615)	(28,005)	(41,412)
Total Computed Levy	110,002	1,111,245	1,971,435	3,385,926	3,889,727	3,870,265	4,540,455
III. Total Receipts [3]	489,977	1,465,190	2,698,119	3,886,310	4,100,768	3,983,863	4,870,638
Surplus/(Shortfall)	379,975	353,945	726,684	500,384	211,041	113,598	330,183
% Difference of Computed Levy [3]	445.43%	131.85%	136.86%	114.78%	105.43%	102.94%	107.27%

[1] Fiscal Year 2002-2003 reflects the first year tax increment monies were collected.
[2] Based on total secured and unsecured value for the Project provided by the San Diego County Auditor/Controller as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for Fiscal Year 2009-2010)
[3] Actual receipts collected often exceed the amount levied due to penalties and interest collected by the Agency.

C. Unitary Taxes

The State Board of Equalization ("SBE") establishes the taxable value of real and personal property of utilities, and since Fiscal Year 1988-1989, the values have been assessed as a Countywide unit. There are several qualifications to the unitary revenue disbursement: a taxing agency is entitled to receive the same amount of revenue as the previous year as well as an increase of up to 2%, unless unitary revenues decrease below a level adequate to provide each taxing agency with the same share as the prior year. In this case, the unitary revenues will be reduced pro rata to all agencies. The other component of unitary allocation is significant when the assessed valuation of unitary taxes increases by more than 2% in one year, in which case revenues are allocated according to the percentage that each taxing agency in the County receives for secured taxable values. As of Fiscal Year 1988-1989, when the allocation procedures changed, it was determined that a taxing agency that was created after Fiscal Year 1988-1989 was not entitled to receive unitary revenues. Due to the abovementioned procedure, no unitary revenues were received in years prior to the creation of the Project Area in 1997.

Unitary revenue for the Project Area received as of June 30, 2009 was $10,005. The Project Area received a proportion of the increased amount as it was entitled to receive a share of the revenues. Assuming that the unitary revenues will stay at a constant level in future years, DTA is conservatively estimating that the Project Area will continue to receive the same amount.

D. Administrative Charges

Senate Bills 2557 and 1559 allow counties to determine property tax administrative charges to local agencies in the proportion that is attributable to their property tax administrative costs to the County. The average administrative charge from Fiscal Year 2002-2003 through Fiscal Year 2008-2009 was approximately 0.91% of gross incremental revenue.

DTA has conservatively estimated the charge for future years to be 1.00% of gross incremental revenue. Tables 13 and Exhibit A show the administrative charge as a deduction to the gross revenue in the Project Area.

E. Low and Moderate Income Housing Set Aside

In accordance with Community Redevelopment Law (Health and Safety Code, Section 33000 *et seq.*), the Agency is required to set aside 20% of all tax increment revenues into a low and moderate income housing fund. For purposes of this analysis, DTA assumes that the Agency will continue to set aside 20% of the tax increment in order to improve, add to, or maintain the City of San Diego's supply of low and moderate income housing in future years. Exhibit A, which projects future tax increment revenues for the Project Area, indicates the amount set aside for low and moderate income housing each year as a separate line item. The housing revenues are pledged to pay debt service on the proposed pooled housing bonds described in Section I.B.

F. AB 1290 Payments to Affected Taxing Entities

Assembly Bill 1290 ("AB 1290") was effective as of January 1, 1994 and was significant in that it put an end to the ability of public agencies to enter into "pass through agreements." Instead, the amounts to be paid to the affected taxing agencies are automatically set at the statutory levels indicated in the table below. Fiscal Year 2002-2003 is considered to be Year 1. AB 1290 requires that payments be collected until the last fiscal year in which the agency receives tax increment. For purposes of this analysis, Exhibit A shows the tax increment projections for the Project Area through Fiscal Year 2047-2048.

Plan Years	Level 1	Level 2	Level 3
1 – End (FY 2002-2003 to FY 2047-48)	25% of the increment less the low and moderate income housing set aside (or 20% of the gross increment).		
11 – End (FY 2012-2013 to FY 2047-48)	Same as Above PLUS	Using the assessed value in Year 10 as a first adjusted base year assessed value, 21% of the increment less the low and moderate income housing set aside (or 16.8% of the gross increment).	
31 – End (FY 2032-2033 to FY 2047-48)	Same as Above PLUS	Same as Above PLUS	Using the assessed value in Year 30 as a first adjusted base year assessed value, 14% of the increment less the low and moderate income housing set aside (or 11.2% of the gross increment).

G. Property Tax Delinquencies and Foreclosures

Delinquency information for the Project Area was researched with the County on May 10, 2010. As of this date, 19 parcels (4.74% of the total parcels) in the Project Area had a delinquency rate of 1.22% in the payment of secured Fiscal Year 2009-2010 property taxes to the County Tax Collector.

Information regarding foreclosure proceedings for residential parcels within zip code 92106, which fully encompasses the Project Area but also includes areas outside the Project Area, was researched through RealtyTrac on May 13, 2010. As of this date, 306 residential

properties had Notices of Default recorded with the County of San Diego, 416 residential properties were undergoing a trustee's sale, and 396 residential properties were bank-owned. Please note that zip code 92106 encompasses over 7,000 residential units while the Project Area encompasses 349 residential units. Therefore, the actual number of residential properties within the Project Area which are affected by foreclosure proceedings will be less than stated above.

H. EDUCATIONAL REVENUE AUGMENTATION FUND ("ERAF")

In connection with its approval of the budget for Fiscal Years 1992-1993 through 1994-1995, the State Legislature enacted legislation which reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit to ERAF. For Fiscal Year 2008-2009, the State Legislature adopted AB 1389 which required redevelopment agencies to pay into ERAF an aggregate amount of $350 million. Of the $350 million, the Agency's share was approximately $11.5 million and the Project Area's share was $284,000. However, a suit filed in superior court in Sacramento by the California Redevelopment Association, along with two local redevelopment agencies and John Shirey, the Executive Director of the California Redevelopment Association, rendered portions of AB 1389 invalid, including the requirement for the Agency to make the Fiscal Year 2008-2009 ERAF payment. The State filed a notice of intent to appeal the ruling of the superior court, but the appeal was subsequently dropped by the State.

In July 2009, the State Legislature adopted AB 26 which required redevelopment agencies to pay into their respective County Supplemental Educational Revenue Augmentation Fund ("SERAF") an aggregate amount of $1.7 billion in Fiscal Year 2009-2010, of which approximately $56 million was the Agency's share, and an additional $350 million in Fiscal Year 2010-2011, of which approximately $11.5 million is the Agency's share. In October 2009, the California Redevelopment Association filed a lawsuit challenging the validity of AB 26. On May 4, 2010, the court issued a ruling denying the petition of the California Redevelopment Association and denying a stay of transfer of funds from the redevelopment agencies to the counties. On May 5, 2010, the CRA and other agencies decided to appeal the ruling. The Agency cannot determine whether the appeal will be successful.

On May 10, 2010, the Agency made the payment equal to approximately $56 million for the Fiscal Year 2009-2010 SERAF payment allocated to the Agency. Of this amount, approximately $1,438,000 was allocated to the Project Area. The payment was made with prior-year Project Area non-housing tax increment revenues on hand. The Agency expects that it will be required to make a Fiscal Year 2010-2011 SERAF payment of approximately $11.5 million on May 10, 2011. Of this amount, approximately $296,000 will be allocated to the Project Area. This payment will also be paid from prior-year Project Area non-housing tax increment revenues on hand. It is unknown whether there will be additional future ERAF or SERAF payments.

IV. PROJECT TAX INCREMENT PROJECTIONS

A. Changes in Assessed Values

Tables 11 and 12 present an analysis of the greatest changes in assessed value between Fiscal Years 2008-2009 and 2009-2010. As shown in Tables 11 and 12, the total assessed value for 257 residential parcels was reduced by $25,887,169 (percentage change from Fiscal Year 2008-2009 to Fiscal Year 2009-2010 is -13.26%) by the County Assessor for Fiscal Year 2009-2010 as a result of Proposition 8 reductions, other assessment appeals, and changes in ownership. Of the remaining residential parcels in the Project Area, 27 parcels increased in value by the 2% inflation factor for Fiscal Year 2009-2010 and 61 parcels were increased in value by greater amounts. The remaining 4 residential parcels increased by less than the 2% inflation factor from Fiscal Year 2008-2009. In total, residential parcels in the Project Area decreased in value for Fiscal Year 2009-2010 by $24,848,823, or decreased by 10.22% from the residential property values for Fiscal year 2008-2009. The Project Area increased in total value by $38,052,286 (8.73%) for Fiscal Year 2009-2010.

More specifically, there was one property owner in the Project Area whose total value increased by $22,204,713 for Fiscal Year 2009-2010 due to new construction. There was also one parcel in the Project Area for which the total value decreased by $2,754,000 for Fiscal Year 2009-2010 due to a change in ownership to an exempt entity.

TABLE 11
LARGEST CHANGES IN SECURED ASSESSED VALUE
(TOP TEN INCREASES AND DECREASES)

Current Assessee	Reason for Change in Value	Parcels	FY 2008-2009 Secured Net Assessed Value [1]	FY 2009-2010 Secured Net Assessed Value [1]	Difference	Percent Change
Top Ten Parcels that Increased in Value						
Liberty Station HHG Hotel LP	New Construction	2	$46,521,080	$68,725,793	$22,204,713	47.73%
McMillin-NTC 902 LLC	New Construction	3	1,761,864	16,109,800	14,347,936	814.36%
McMillin-NTC Landing LLC	New Construction	7	6,805,000	20,159,140	13,354,140	196.24%
Liberty Station 210 Investors LLC	New Construction	1	1,236,307	8,092,000	6,855,693	554.53%
McMillin-NTC 193 LLC	New Construction	1	8,130,155	10,330,257	2,200,102	27.06%
Davies LLC	Ownership Change	1	2,803,215	4,080,000	1,276,785	45.55%
McMillin/Decatur Road 906 LLC	New Construction	1	8,491,552	9,191,782	700,230	8.25%
McMillin-NTC 901 LLC	New Construction	2	9,156,461	9,829,189	672,728	7.35%
Building 907 LLC	New Construction	1	9,549,240	9,975,224	425,984	4.46%
CDC Small Business Finance Corp	New Construction	1	10,047,342	10,428,980	381,638	3.80%
Subtotal		*20*	*104,502,216*	*166,922,165*	*62,419,949*	59.73%
Top Ten Parcels that Decreased in Value						
San Diego County Regional Airport Auth. [2]	Ownership Change	1	2,754,000	0	(2,754,000)	-100.00%
Individual Homeowner	Ownership Change	1	893,000	312,581	(580,419)	-65.00%
Individual Homeowner	Proposition 8 Reduction	1	1,430,000	883,000	(547,000)	-38.25%
Individual Homeowner	Proposition 8 Reduction	1	1,138,460	718,000	(420,460)	-36.93%
Individual Homeowner	Ownership Change	3	2,494,280	2,098,000	(396,280)	-15.89%
Individual Homeowner	Proposition 8 Reduction	1	1,104,800	753,000	(351,800)	-31.84%
Individual Homeowner	Proposition 8 Reduction	1	1,180,000	883,000	(297,000)	-25.17%
Individual Homeowner	Proposition 8 Reduction	1	994,499	725,000	(269,499)	-27.10%
Individual Homeowner	Proposition 8 Reduction	1	958,800	725,000	(233,800)	-24.38%
Individual Homeowner	Proposition 8 Reduction	1	950,000	725,000	(225,000)	-23.68%
Subtotal		*12*	*13,897,839*	*7,822,581*	*(6,075,258)*	*-43.71%*
All Other Parcels	NA	398	317,461,032	299,168,627	(18,292,405)	-5.76%
Total		**430**	**435,861,087**	**473,913,373**	**38,052,286**	**8.73%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] Parcel became fully exempt following the change in ownership from Truxtun LLC to San Diego County Airport Authority.

TABLE 12
LARGEST CHANGES IN SECURED ASSESSED VALUE
(BY RESIDENTIAL AND NON-RESIDENTIAL CATEGORIES)

Current Assessee	Parcels	FY 2008-2009 Secured Net Assessed Value [1]	FY 2009-2010 Secured Net Assessed Value [1]	Difference	Percent Change
Residential					
Increase in Value (Greater Than 2%)	61	$31,818,400	$32,560,068	$741,668	2.33%
Increase in Value (Equal to 2%)	27	13,398,318	13,666,258	267,940	2.00%
Increase in Value (Less Than 2%)	4	2,621,255	2,649,993	28,738	1.10%
No change in Value	0	0	0	0	0.00%
Decrease in Value from Prop 8 Reduction Appeals [3]	0	0	0	0	0.00%
Decrease in Value from Automatic Prop 8 Reductions [4]	237	179,565,975	156,074,393	(23,491,582)	-13.08%
Decrease in Value from Other Assessment Appeals [5]	0	0	0	0	0.00%
Decrease in Value (Increased Exemption) [6]	0	0	0	0	0.00%
Decrease in Value (Ownership Changed) [7]	20	15,693,668	13,298,081	(2,395,587)	-15.26%
Subtotal	349	243,097,616	218,248,793	(24,848,823)	-10.22%
Non-Residential					
Increase in Value (Greater Than 2%)	19	85,911,529	148,399,664	62,488,135	72.74%
Increase in Value (Equal to 2%)	20	80,939,296	82,558,065	1,618,769	2.00%
Increase in Value (Less Than 2%)	0	0	0	0	0.00%
No change in Value [2]	33	1	1	0	0.00%
Decrease in Value from Prop 8 Reduction Appeals [3]	0	0	0	0	0.00%
Decrease in Value from Automatic Prop 8 Reductions [4]	1	125,000	50,000	(75,000)	-60.00%
Decrease in Value from Other Assessment Appeals [5]	0	0	0	0	0.00%
Decrease in Value (Increased Exemption) [6]	0	0	0	0	0.00%
Decrease in Value (Ownership Changed) [8]	1	2,754,000	0	(2,754,000)	-100.00%
Subtotal	74	169,729,826	231,007,730	61,277,904	36.10%
New Residential Parcels [9]	0	NA	0	0	NA
New Non-Residential Parcels [9]	7	NA	24,656,850	24,656,850	NA
Superceded Parcels [10]	5	23,033,645	NA	(23,033,645)	NA
Total	**430**	**435,861,087**	**473,913,373**	**38,052,286**	**8.73%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] A total of 33 non-residential parcels had a Net Assessed Value of $0. Excludes parcels owned by public agencies based on final FY 2008-09 Assessor's Roll.
[3] Values based on the final Assessor's roll for each fiscal year. The reductions were a result of Proposition 8 appeals by property owners allowing a temporary reduction in assessed value based on decreasing market value.
[4] Based on discussions with the County appraiser, the reductions were due to automatic Proposition 8 reductions allowing a temporary reduction in assessed value based on decreasing market value.
[5] Values were reduced following successful assessment appeals by the property owners. The assessment appeals were not a result of a Proposition 8 temporary reduction in assessed value.
[6] Based on data from County Assessor, the decrease in value from FY 2008-2009 to FY 2009-2010 was due to an increase in the exemptions.
[7] Values based on the closed Assessor's roll for each fiscal year. Following the change in ownership, the County revised the assessed value of the parcels to reflect the market value.
[8] Parcel became fully exempt following the change in ownership from Truxtun LLC to San Diego County Airport Authority.
[9] New parcels for FY 2009-2010 as a result of parcel changes from the prior year.
[10] FY 2008-2009 assessor parcels that did not have matching FY 2009-2010 parcel numbers.

B. New Development

The table below summarizes new development and construction that may increase assessed values within the Project Area in the future. For purposes of this analysis, however, we have conservatively assumed that there will not be any increase in assessed values for future years as a result of such new development within the Project Area.

Project	Description
Eastside Hotel	The site on the east side of the NTC boat channel is currently being used as a Park and Fly lot, but will ultimately be used for a 650-room hotel development. The master developer, McMillin-NTC, LLC, has requested an extension of the performance date for commencement of development of one or more hotels on the site. It is anticipated that the hotel development will not commence construction before 2014.

C. Tax Increment Projections

Table 13 summarizes the Fiscal Year 2009-2010 assessed values and details how the net tax increment is calculated. Exhibit A projects the tax increment to be generated by the Project Area through Fiscal Year 2047-2048. DTA has estimated the future tax increment based on the Project Area assessed valuation for Fiscal Year 2009-2010, utilizing the assumptions stated herein regarding current adjustments to the increment.

For purposes of this analysis, we are using the Fiscal Year 2009-2010 County Assessor's secured assessed value, which is lower than the Auditor's secured value, to calculate the projected annual tax increment. As discussed in Section II.D above, Fiscal Year 2009-2010 includes a reduction in value for pending assessment appeals and assessment appeals which were resolved after the Fiscal Year 2009-2010 Assessor's Roll was finalized.

As discussed in Section II.D.2 above, the projections are based on a reduction in value of 2% and 1% for Fiscal Years 2010-2011 and 2011-2012, respectively. We have then assumed no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter. Other than the 1% and 2% annual increases as described above, we are not showing the increase in values back to base values for any value reductions. Actual reductions or increases in assessed value will vary.

The real property value described above is added to the value of personal property, which includes secured and unsecured personal property within the Project Area less unsecured exemptions for Fiscal Year 2009-2010. The value of personal property is assumed to remain constant throughout the subsequent years.

Lastly, the incremental value is the difference between the total value and the base year value, and the tax rate used in the calculation of gross revenue for Fiscal Year 2009-2010 is the actual tax rate. This is assumed to decrease in subsequent years. Unitary revenue and

administrative charges result in adjustments to the net tax increment, for which the assumptions were discussed previously. The set aside for low and moderate income housing and the AB 1290 pass through payments are shown as separate line items.

TABLE 13
FY 2009-10 TAX INCREMENT REVENUE ESTIMATE

	FY 2009-10 Taxable Value	Base Taxable Value	Incremental Taxable Value
Secured Values [1]			
Land	$215,734,612	$0	$215,734,612
Improvement	325,824,790	0	325,824,790
Personal Property	3,298,348	0	3,298,348
Gross Value	544,857,750	0	544,857,750
Less Exemptions	(70,944,377)	0	(70,944,377)
Total Secured	**473,913,373**	**0**	**473,913,373**
Unsecured Values [2]			
Land	0	0	0
Improvement	6,225,385	0	6,225,385
Personal Property	24,365,536	0	24,365,536
Gross Value	30,590,921	0	30,590,921
Less Exemptions	(12,710,349)	0	(12,710,349)
Total Unsecured	**17,880,572**	**0**	**17,880,572**
Total Secured and Unsecured	**491,793,945**	**0**	**491,793,945**
Estimated Valuation Adjustments			
Assumed Appeals			(33,798,701) [3]
Adjusted Incremental Secured and Unsecured			457,995,244
Gross Increment Revenue @	1.00930% [4]		4,622,546
Unitary Revenue [5]			10,005
Supplemental Roll [6]			0
Offsets to Gross Estimated Revenue			
Administrative Expenses [7]			(46,225)
Net Tax Increment Revenue			4,586,325
Low/Moderate Income Housing Set-Aside Revenue			(917,265)
Taxing Agencies Pass Throughs (AB 1290) [8]			(924,509)
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [9]			0
Available Non-Housing Tax Increment Revenue			**2,744,551**
Available Housing Tax Increment Revenue			**917,265**
Tax Revenue Available for Debt Service			**3,661,816**

[1] Assessed values provided by the County Assessor as of 1/1/09.
[2] Based on information provided by the County of San Diego Auditor/Controller report "Val File-04 PSVVP70@" as of 1/1/09.
[3] Based on pending appeals for FY 2009-2010. Actual reduction based on appeals will vary.
[4] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection as shown in Exhibit A.
[5] Based on information for FY 2008-2009 provided by the County of San Diego Auditor/Controller.
[6] For purposes of this analysis, we have conservatively assumed that the supplemental roll will not add additional revenue.
[7] Estimated at 1.00% of the gross revenue for the Project Area.
[8] Based on 20% of Gross Increment Revenue.
[9] The Agency was required to make an SERAF payment of approximately $1,438,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

D. LIMITATIONS

This Report contains a projection of tax increment revenues to be received by the Agency. The report is based on estimates, assumptions and other information provided by the City and developed from DTA's research and telephone discussions with County staff, as well as our understanding of County tax procedures. The sources of information and basis of the estimates are stated herein. While we believe that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. In addition, since the analyses contained herein are based on legislation and County procedures, which are inherently subject to uncertainty and variation depending on evolving events and policy changes, DTA cannot represent that the results presented herein will be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved will vary from the projections.

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NTC
Exhibit A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:	2009 2010	2010 2011	2011 2012	**YEAR 10** 2012 2013	2013 2014	2014 2015	2015 2016	2016 2017
Real Property [1]	$476,840,410	$443,041,709	$434,180,875	$429,839,066	$429,839,066	$434,137,457	$438,478,831	$442,863,620
Estimated Real Property Value Increase [2]	0	0	0	0	4,298,391	4,341,375	4,384,788	4,428,636
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]	(33,798,701)	(8,860,834)	(4,341,809)	0	0	0	0	0
Total Real Property	443,041,709	434,180,875	429,839,066	429,839,066	434,137,457	438,478,831	442,863,620	447,292,256
Total Personal Property [4]	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535
Total Value	**457,995,244**	**449,134,410**	**444,792,601**	**444,792,601**	**449,090,992**	**453,432,366**	**457,817,155**	**462,245,791**
Incremental Value Over Base of: $0	457,995,244	449,134,410	444,792,601	444,792,601	449,090,992	453,432,366	457,817,155	462,245,791
Gross Revenue [5]	4,622,546	4,491,344	4,447,926	4,447,926	4,490,910	4,534,324	4,578,172	4,622,458
Unitary Revenue	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005
Adjustments to Gross Revenue								
Supplemental Roll	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [6]	(46,225)	(44,913)	(44,479)	(44,479)	(44,909)	(45,343)	(45,782)	(46,225)
Net Tax Increment Revenue	4,586,325	4,456,435	4,413,451	4,413,451	4,456,006	4,498,985	4,542,395	4,586,238
Low/Moderate Income Housing Set-Aside Revenue	(917,265)	(891,287)	(882,690)	(882,690)	(891,201)	(899,797)	(908,479)	(917,248)
Taxing Agencies Pass Through (AB 1290) Tier 1 [7]	(924,509)	(898,269)	(889,585)	(889,585)	(898,182)	(906,865)	(915,634)	(924,492)
Taxing Agencies Pass Through (AB 1290) Tier 2 [7]	0	0	0	0	(7,221)	(14,515)	(21,881)	(29,321)
Taxing Agencies Pass Through (AB 1290) Tier 3 [7]	0	0	0	0	0	0	0	0
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [8]	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue	**2,744,551**	**2,666,879**	**2,641,176**	**2,641,176**	**2,659,401**	**2,677,809**	**2,696,400**	**2,715,178**
Available Housing Tax Increment Revenue	**917,265**	**891,287**	**882,690**	**882,690**	**891,201**	**899,797**	**908,479**	**917,248**
Tax Revenue Available for Debt Service	**3,661,816**	**3,558,167**	**3,523,866**	**3,523,866**	**3,550,602**	**3,577,606**	**3,604,879**	**3,632,425**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 2% and 1% for FY 2010-2011 and 2011-2012, respectively.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Based on 20% of "Gross Revenue"through FY 2036-37. In addition, 16.8% of Gross Revenue is included from FY 2013-14 through FY 2036-2037 using Year 10 as a base value and 11.2% of Gross Revenue is included beginning FY 2033-2034 through FY 2036-2037 using Year 30 as a base value.

[8] The Agency was required to make an SERAF payment of approximately $1,438,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

NTC
Exhibit A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:	2017 2018	2018 2019	2019 2020	2020 2021	2021 2022	2022 2023	2023 2024	2024 2025	2025 2026
Real Property [1]	$447,292,256	$451,765,179	$456,282,830	$465,408,487	$474,716,657	$484,210,990	$493,895,210	$503,773,114	$513,848,576
Estimated Real Property Value Increase [2]	4,472,923	4,517,652	9,125,657	9,308,170	9,494,333	9,684,220	9,877,904	10,075,462	10,276,972
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]	0	0	0	0	0	0	0	0	0
Total Real Property	451,765,179	456,282,830	465,408,487	474,716,657	484,210,990	493,895,210	503,773,114	513,848,576	524,125,548
Total Personal Property [4]	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535
Total Value	**466,718,714**	**471,236,365**	**480,362,022**	**489,670,192**	**499,164,525**	**508,848,745**	**518,726,649**	**528,802,111**	**539,079,083**
Incremental Value Over Base of: $0	466,718,714	471,236,365	480,362,022	489,670,192	499,164,525	508,848,745	518,726,649	528,802,111	539,079,083
Gross Revenue [5]	4,667,187	4,712,364	4,803,620	4,896,702	4,991,645	5,088,487	5,187,266	5,288,021	5,390,791
Unitary Revenue	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005
Adjustments to Gross Revenue									
Supplemental Roll	0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [6]	(46,672)	(47,124)	(48,036)	(48,967)	(49,916)	(50,885)	(51,873)	(52,880)	(53,908)
Net Tax Increment Revenue	4,630,520	4,675,245	4,765,589	4,857,740	4,951,734	5,047,607	5,145,399	5,245,146	5,346,888
Low/Moderate Income Housing Set-Aside Revenue	(926,104)	(935,049)	(953,118)	(971,548)	(990,347)	(1,009,521)	(1,029,080)	(1,049,029)	(1,069,378)
Taxing Agencies Pass Through (AB 1290) Tier 1 [7]	(933,437)	(942,473)	(960,724)	(979,340)	(998,329)	(1,017,697)	(1,037,453)	(1,057,604)	(1,078,158)
Taxing Agencies Pass Through (AB 1290) Tier 2 [7]	(36,836)	(44,426)	(59,757)	(75,394)	(91,345)	(107,614)	(124,209)	(141,136)	(158,401)
Taxing Agencies Pass Through (AB 1290) Tier 3 [7]	0	0	0	0	0	0	0	0	0
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [8]	0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue	**2,734,143**	**2,753,298**	**2,791,990**	**2,831,457**	**2,871,713**	**2,912,774**	**2,954,656**	**2,997,376**	**3,040,951**
Available Housing Tax Increment Revenue	**926,104**	**935,049**	**953,118**	**971,548**	**990,347**	**1,009,521**	**1,029,080**	**1,049,029**	**1,069,378**
Tax Revenue Available for Debt Service	**3,660,247**	**3,688,346**	**3,745,108**	**3,803,005**	**3,862,060**	**3,922,295**	**3,983,736**	**4,046,405**	**4,110,328**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 2% and 1% for FY 2010-2011 and 2011-2012, respectively.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Based on 20% of "Gross Revenue"through FY 2036-37. In addition, 16.8% of Gross Revenue is included from FY 2013-14 through FY 2036-2037 using Year 10 as a base value and 11.2% of Gross Revenue is included beginning FY 2033-2034 through FY 2036-2037 using Year 30 as a base value.

[8] The Agency was required to make an SERAF payment of approximately $1,438,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

NTC
Exhibit A
TAX INCREMENT REVENUE PROJECTION

							YEAR 30		
Fiscal Year Ending:	**2026 2027**	**2027 2028**	**2028 2029**	**2029 2030**	**2030 2031**	**2031 2032**	**2032 2033**	**2033 2034**	**2034 2035**
Real Property [1]	$524,125,548	$534,608,059	$545,300,220	$556,206,224	$567,330,349	$578,676,956	$590,250,495	$602,055,505	$614,096,615
Estimated Real Property Value Increase [2]	10,482,511	10,692,161	10,906,004	11,124,124	11,346,607	11,573,539	11,805,010	12,041,110	12,281,932
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]	0	0	0	0	0	0	0	0	0
Total Real Property	534,608,059	545,300,220	556,206,224	567,330,349	578,676,956	590,250,495	602,055,505	614,096,615	626,378,547
Total Personal Property [4]	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535
Total Value	**549,561,594**	**560,253,755**	**571,159,759**	**582,283,884**	**593,630,491**	**605,204,030**	**617,009,040**	**629,050,150**	**641,332,082**
Incremental Value Over Base of: $0	549,561,594	560,253,755	571,159,759	582,283,884	593,630,491	605,204,030	617,009,040	629,050,150	641,332,082
Gross Revenue [5]	5,495,616	5,602,538	5,711,598	5,822,839	5,936,305	6,052,040	6,170,090	6,290,501	6,413,321
Unitary Revenue	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005
Adjustments to Gross Revenue									
Supplemental Roll	0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [6]	(54,956)	(56,025)	(57,116)	(58,228)	(59,363)	(60,520)	(61,701)	(62,905)	(64,133)
Net Tax Increment Revenue	5,450,665	5,556,517	5,664,486	5,774,615	5,886,947	6,001,525	6,118,394	6,237,601	6,359,192
Low/Moderate Income Housing Set-Aside Revenue	(1,090,133)	(1,111,303)	(1,132,897)	(1,154,923)	(1,177,389)	(1,200,305)	(1,223,679)	(1,247,520)	(1,271,838)
Taxing Agencies Pass Through (AB 1290) Tier 1 [7]	(1,099,123)	(1,120,508)	(1,142,320)	(1,164,568)	(1,187,261)	(1,210,408)	(1,234,018)	(1,258,100)	(1,282,664)
Taxing Agencies Pass Through (AB 1290) Tier 2 [7]	(176,012)	(193,975)	(212,297)	(230,985)	(250,048)	(269,491)	(289,324)	(309,553)	(330,186)
Taxing Agencies Pass Through (AB 1290) Tier 3 [7]	0	0	0	0	0	0	0	(13,486)	(27,242)
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [8]	0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue	**3,085,397**	**3,130,731**	**3,176,973**	**3,224,139**	**3,272,249**	**3,321,320**	**3,371,374**	**3,408,942**	**3,447,262**
Available Housing Tax Increment Revenue	**1,090,133**	**1,111,303**	**1,132,897**	**1,154,923**	**1,177,389**	**1,200,305**	**1,223,679**	**1,247,520**	**1,271,838**
Tax Revenue Available for Debt Service	**4,175,529**	**4,242,035**	**4,309,870**	**4,379,062**	**4,449,638**	**4,521,625**	**4,595,053**	**4,656,462**	**4,719,100**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 2% and 1% for FY 2010-2011 and 2011-2012, respectively.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Based on 20% of "Gross Revenue"through FY 2036-37. In addition, 16.8% of Gross Revenue is included from FY 2013-14 through FY 2036-2037 using Year 10 as a base value and 11.2% of Gross Revenue is included beginning FY 2033-2034 through FY 2036-2037 using Year 30 as a base value.

[8] The Agency was required to make an SERAF payment of approximately $1,438,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

NTC
Exhibit A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:	2035 2036	2036 2037	2037 2038	2038 2039	2039 2040	2040 2041	2041 2042	2042 2043	2043 2044
Real Property [1]	$626,378,547	$638,906,118	$651,684,240	$664,717,925	$678,012,284	$691,572,529	$705,403,980	$719,512,059	$733,902,301
Estimated Real Property Value Increase [2]	12,527,571	12,778,122	13,033,685	13,294,359	13,560,246	13,831,451	14,108,080	14,390,241	14,678,046
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]	0	0	0	0	0	0	0	0	0
Total Real Property	638,906,118	651,684,240	664,717,925	678,012,284	691,572,529	705,403,980	719,512,059	733,902,301	748,580,347
Total Personal Property [4]	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535	14,953,535
Total Value	**653,859,653**	**666,637,775**	**679,671,460**	**692,965,819**	**706,526,064**	**720,357,515**	**734,465,594**	**748,855,836**	**763,533,882**
Incremental Value Over Base of: $0	653,859,653	666,637,775	679,671,460	692,965,819	706,526,064	720,357,515	734,465,594	748,855,836	763,533,882
Gross Revenue [5]	6,538,597	6,666,378	6,796,715	6,929,658	7,065,261	7,203,575	7,344,656	7,488,558	7,635,339
Unitary Revenue	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005
Adjustments to Gross Revenue									
Supplemental Roll	0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [6]	(65,386)	(66,664)	(67,967)	(69,297)	(70,653)	(72,036)	(73,447)	(74,886)	(76,353)
Net Tax Increment Revenue	6,483,215	6,609,719	6,738,752	6,870,366	7,004,613	7,141,544	7,281,214	7,423,678	7,568,990
Low/Moderate Income Housing Set-Aside Revenue	(1,296,643)	(1,321,944)	(1,347,750)	(1,374,073)	(1,400,923)	(1,428,309)	(1,456,243)	(1,484,736)	(1,513,798)
Taxing Agencies Pass Through (AB 1290) Tier 1 [7]	(1,307,719)	(1,333,276)	(1,359,343)	(1,385,932)	(1,413,052)	(1,440,715)	(1,468,931)	(1,497,712)	(1,527,068)
Taxing Agencies Pass Through (AB 1290) Tier 2 [7]	(351,233)	(372,700)	(394,596)	(416,931)	(439,712)	(462,949)	(486,651)	(510,826)	(535,485)
Taxing Agencies Pass Through (AB 1290) Tier 3 [7]	(41,273)	(55,584)	(70,182)	(85,072)	(100,259)	(115,750)	(131,551)	(147,668)	(164,108)
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [8]	0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue	**3,486,348**	**3,526,215**	**3,566,880**	**3,608,359**	**3,650,667**	**3,693,821**	**3,737,838**	**3,782,736**	**3,828,531**
Available Housing Tax Increment Revenue	**1,296,643**	**1,321,944**	**1,347,750**	**1,374,073**	**1,400,923**	**1,428,309**	**1,456,243**	**1,484,736**	**1,513,798**
Tax Revenue Available for Debt Service	**4,782,991**	**4,848,159**	**4,914,631**	**4,982,432**	**5,051,589**	**5,122,130**	**5,194,081**	**5,267,471**	**5,342,329**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 2% and 1% for FY 2010-2011 and 2011-2012, respectively.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Based on 20% of "Gross Revenue"through FY 2036-37. In addition, 16.8% of Gross Revenue is included from FY 2013-14 through FY 2036-2037 using Year 10 as a base value and 11.2% of Gross Revenue is included beginning FY 2033-2034 through FY 2036-2037 using Year 30 as a base value.

[8] The Agency was required to make an SERAF payment of approximately $1,438,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

NTC
Exhibit A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:	2044 2045	2045 2046	2046 2047	2047 2048
Real Property [1]	$748,580,347	$763,551,954	$778,822,993	$794,399,453
Estimated Real Property Value Increase [2]	14,971,607	15,271,039	15,576,460	15,887,989
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]	0	0	0	0
Total Real Property	763,551,954	778,822,993	794,399,453	810,287,442
Total Personal Property [4]	14,953,535	14,953,535	14,953,535	14,953,535
Total Value	**778,505,489**	**793,776,528**	**809,352,988**	**825,240,977**
Incremental Value Over Base of: $0	778,505,489	793,776,528	809,352,988	825,240,977
Gross Revenue [5]	7,785,055	7,937,765	8,093,530	8,252,410
Unitary Revenue	10,005	10,005	10,005	10,005
Adjustments to Gross Revenue				
Supplemental Roll	0	0	0	0
Property Tax Administrative Fee [6]	(77,851)	(79,378)	(80,935)	(82,524)
Net Tax Increment Revenue	7,717,209	7,868,392	8,022,599	8,179,890
Low/Moderate Income Housing Set-Aside Revenue	(1,543,442)	(1,573,678)	(1,604,520)	(1,635,978)
Taxing Agencies Pass Through (AB 1290) Tier 1 [7]	(1,557,011)	(1,587,553)	(1,618,706)	(1,650,482)
Taxing Agencies Pass Through (AB 1290) Tier 2 [7]	(560,638)	(586,293)	(612,461)	(639,153)
Taxing Agencies Pass Through (AB 1290) Tier 3 [7]	(180,876)	(197,980)	(215,425)	(233,220)
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [8]	0	0	0	0
Available Non-Housing Tax Increment Revenue	**3,875,243**	**3,922,888**	**3,971,487**	**4,021,057**
Available Housing Tax Increment Revenue	**1,543,442**	**1,573,678**	**1,604,520**	**1,635,978**
Tax Revenue Available for Debt Service	**5,418,684**	**5,496,567**	**5,576,007**	**5,657,035**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 2% and 1% for FY 2010-2011 and 2011-2012, respectively.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Based on 20% of "Gross Revenue"through FY 2036-37. In addition, 16.8% of Gross Revenue is included from FY 2013-14 through FY 2036-2037 using Year 10 as a base value and 11.2% of Gross Revenue is included beginning FY 2033-2034 through FY 2036-2037 using Year 30 as a base value.

[8] The Agency was required to make an SERAF payment of approximately $1,438,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

EXHIBIT E

NORTH BAY

FISCAL CONSULTANT REPORT
NORTH BAY REDEVELOPMENT PROJECT AREA

Prepared for

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
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San Diego, CA 92101

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A. TAX INCREMENT REVENUE PROJECTION

I. INTRODUCTION

The Redevelopment Agency of the City of San Diego (the "Agency") anticipates issuing a series of Tax Allocation Bonds in the summer of 2010 to be secured by housing tax increment revenues from the North Bay Redevelopment Project Area (the "Project Area") as explained in section I.C below. David Taussig & Associates, Inc. ("DTA") has prepared this Fiscal Consultant Report (the "Report") to project housing tax increment revenues generated by the increase in assessed value of real and personal property within the Project Area. In addition, the Report describes the methodology and assumptions utilized in these projections, evaluating the historic and current taxable values, the projected values of new construction, the effects of pending assessment appeals, and the property tax collection and allocation procedures of the County of San Diego (the "County").

A. North Bay Project Area Background

The Ordinance approving the Redevelopment Plan (the "Plan") for the Project Area was adopted by the City Council of the City of San Diego in May of 1998 (accomplished by Ordinance No. 18516). The main purposes of establishing the Plan was to promote economic growth enhancement, infrastructure improvement, expansion of employment and recreational opportunities, preservation and expansion of housing stock, and retention and expansion of existing neighborhood supporting businesses.

The Plan will remain in effect until thirty (30) years from the date of adoption. Pursuant to subdivision (a)(1) of Section 33333.2 of the Health and Safety Code, the time limit on the establishment of loans, advances, and bonded indebtedness to be funded through tax increment revenues is twenty (20) years from the adoption of the Plan. Also, total outstanding bonded indebtedness of the Project Area to be repaid by the allocation of taxes to the Agency is not to exceed $93 million at any point in time. In accordance with subdivision (a)(3) of Section 33333.2 of the Health and Safety Code, the time limit for the receipt of tax increment revenues is forty-five (45) years. Please note that the Agency and the City of San Diego adopted Ordinance 19514 in July 2006 extending (i) the Plan effectiveness deadline to 2029 and (ii) tax increment receipt deadline by an additional year.

Ordinance Adopted	Tax Increment Collection Limit	Amount of Tax Increment Collected to Date	Maximum Amount of Bonded Indebtedness	Maximum Time Allowed to Incur Bonded Indebtedness
May 18, 1998 [1]	46 Years [2]	$43,189,617 [3]	$93 Million	20 Years from Adoption of Plan

[1] The Project Area is a post AB 1290 project area as discussed in Section III.F below.
[2] The time limit for the repayment of indebtedness is also 46 years.
[3] Total receipts for Fiscal Year 1999-2000 through 2008-2009 as shown in Table 10.

The Project Area is administered by the City Redevelopment Division of the Community and Economic Development Department. The Project Area encompasses 1,360 acres and is located approximately two miles outside of downtown San Diego. The area includes light industrial, high technology, retail, entertainment, mixed use, and residential land uses. Interstates 5 and 8 border the Project Area, and other transportation systems include the San Diego International Airport, the San Diego harbor, including Mission Bay and San Diego Bay, and both light and heavy railways systems.

B. Comprehensive Affordable Housing Strategy Collaborative

In 2006 the Agency approved the pooling of the housing set-aside funds from the Redevelopment Division's eleven project areas for an Affordable Housing Opportunity Program in order to provide greater flexibility in financing affordable housing projects throughout the City of San Diego. In July 2007, the Agency approved four separate non-revolving housing lines of credit with San Diego National Bank in an aggregate amount of $34 million secured by the housing set-aside funds from four project areas: City Heights ($11 million); Naval Training Center ($7.1 million); North Bay ($8.6 million); and North Park ($7.3 million). Of the $34 million, $29 million was allocated to the Affordable Housing Opportunity Program, including North Bay's $8.6 million. To date, the Affordable Housing Opportunity Program has provided approximately $26 million for affordable housing projects in the North Park, San Ysidro, Barrio Logan, Crossroads, and City Heights project areas.

Housing proceeds from the Series 2010 Bonds not needed for housing programs or developer repayments in the Project Area will be available for projects in other project areas through the Comprehensive Affordable Housing Collaborative Program.

C. Proposed Series 2010 Bonds

The Agency anticipates issuing a pooled taxable series of tax allocation bonds in the summer of 2010 secured by housing tax increment revenues from the Project Area and the Crossroads, City Heights, Naval Training Center, North Park, and San Ysidro project areas.

The proceeds of the pooled housing bonds are expected to be used for repaying bank lines of credit and to finance a portion of the costs for low and moderate income affordable housing projects within or of benefit to the project areas listed above.

D. Current Uses of Tax Increment Revenues

The following items represent current uses of annual net tax increment revenues after payments are made for AB 1290 pass-throughs.

1. Existing North Bay Tax Allocation Bonds

In 2000, the Agency issued tax allocation bonds for the Project Area in the amount of $13,000,000. The current amount outstanding for the Series 2000 bonds is $10,935,000. The Agency used approximately 25% of the proceeds of the Series 2000 bonds for housing purposes. Under redevelopment law, the Agency may pay that portion of the scheduled debt service on the Series 2000 bonds attributable to the proceeds of such bonds used for housing purposes with housing set-aside funds. The Agency currently pays approximately 25% of the debt service on the outstanding bonds with housing set-aside funds. The remaining 75% of the debt service on the outstanding bonds is paid with non-housing revenues.

Housing set-aside funds for the Project Area will be used to pay the housing portion of the existing Series 2000 tax allocation bonds prior to the payment of debt service on the proposed Series 2010 Bonds.

2. Agency Debt to City

Project Area debt to the City includes loans from the City's sales tax, capital outlay, TransNet (transportation), and general funds. The City participated in redevelopment activities in the Project Area by contributing City parcels of land and/or right-of-way (capital outlay). The estimated value of the land is carried as an interest-bearing loan from the City to the Agency.

The Project Area has $2.41 million in outstanding debt to the City attributable to the land contribution as of June 30, 2009, of which approximately $1.7 million is principal.

II. PROJECT TAXABLE VALUES

The County of San Diego Assessor (the "Assessor") determines the assessed valuations of real and personal property in the Project Area. The secured roll is the County Assessor's roll, which contains real property for which ad valorem taxes are secured by a lien on the property, and the unsecured roll contains business personal property, for which ad valorem taxes are not secured by a lien. The County assigns values to each Assessor's Parcel, which is listed in turn by an Assessor's Parcel Number ("APN"). The County Assessor releases the equalized County Assessor's roll on or prior to the first of July of each Fiscal Year. At this time, the Auditor Controller compiles the tax roll based on this information. The Auditor Controller assigns each APN to a Tax Rate Area ("TRA"), which is a geographic area containing Assessor's Parcels with the same tax rates. The Project Area includes two TRAs: 08-256 and 08-987. The Auditor Controller is responsible for combining the assessed values provided by the Assessor for all APNs within the Project Area and releasing a report each July showing the secured and unsecured values for the current and base year as well as the incremental value for the entire Project Area.

Based on discussions with the County Auditor and County Assessor, there are discrepancies in the total net assessed values provided by each agency due to procedural differences and timing of obtaining the data. Please note that Table 1 is based on values provided by the County Auditor. Since the County Assessor's secured values are lower than the Auditor's values, we have conservatively used the lower secured values in Tables 2, 3, 11, and 12 and the tax increment projections in Tables 13 and Exhibit A. The secured assessed values shown in Tables 13 and Exhibit A are based on the County Assessor assessed values and the unsecured assessed values shown in these tables are based on the County Auditor values. Please note that the Fiscal Year 2009-2010 assessed values shown herein are dated as of January 1, 2009.

A. Historic Taxable Values

DTA researched historic secured and unsecured taxable values in the Project Area for Fiscal Years 1999-2000 through 2009-2010. These values, which are based on information provided by the County of San Diego Auditor Controller, are shown in Table 1. As listed in the table, the Fiscal Year 1999-2000 base year value for the Project Area is approximately $681 million following an adjustment upward of $5.6 million made by the County in Fiscal Year 2002-2003, an adjustment downward of $3.5 million made by the County in Fiscal Year 2006-2007, and an adjustment downward of $4.9 million made by the County in Fiscal Year 2007-2008. The total secured and unsecured value for the Project Area has risen from nearly $782 million for Fiscal Year 1999-2000 to over $1.55 billion for Fiscal Year 2009-2010, an increase of approximately 99%.

As shown in Table 1 below, assessed values for property located within the Project Area experienced double-digit percentage increases from Fiscal Year 2006-2007 through Fiscal Year 2007-2008. Much of this annual increase can be attributed to

value changes due to changes in ownership and new development since Fiscal Year 1999-2000.

In Fiscal Year 2009-2010, property located within the Project Area experienced an increase in value of approximately 1.6% from Fiscal Year 2008-2009. Despite the reductions in value due to Proposition 8 reductions, the resulting net increase in value was due to new construction activity and ownership changes in the Project Area. Please refer to Section II.E below for more information regarding the changes in value for Fiscal Year 2009-10.

NORTH BAY
TABLE 1
HISTORICAL TAX INCREMENT VALUES [1]

	FY 1999-2000 Taxable Value	FY 2000-2001 Taxable Value	FY 2001-2002 Taxable Value	FY 2002-2003 Taxable Value	FY 2003-2004 Taxable Value	FY 2004-2005 Taxable Value	FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	Year 10 FY 2008-2009 Taxable Value	FY 2009-2010 Taxable Value
Secured Values [2]											
Land	$339,309,457	$359,444,940	$388,499,945	$422,186,186	$455,027,839	$492,695,596	$549,403,033	$617,974,754	$702,101,263	$751,213,849	$780,113,852
Improvement	387,587,747	414,643,601	433,846,989	454,410,462	450,603,186	475,547,876	499,381,696	591,629,188	692,373,819	720,142,632	736,200,180
Personal Property	18,453,184	18,514,715	14,611,286	10,659,625	8,126,429	7,704,716	7,570,499	7,024,412	7,714,432	7,612,343	7,720,624
Gross Value	745,350,388	792,603,256	836,958,220	887,256,273	913,757,454	975,948,188	1,056,355,228	1,216,628,354	1,402,189,514	1,478,968,824	1,524,034,656
Less Exemptions	(61,649,325)	(62,940,425)	(60,979,110)	(72,720,523)	(36,896,990)	(43,514,058)	(45,075,349)	(49,203,804)	(53,369,305)	(66,856,630)	(71,508,785)
Total Secured	**683,701,063**	**729,662,831**	**775,979,110**	**814,535,750**	**876,860,464**	**932,434,130**	**1,011,279,879**	**1,167,424,550**	**1,348,820,209**	**1,412,112,194**	**1,452,525,871**
Unsecured Values [2]											
Land	0	0	0	0	0	0	0	0	0	0	0
Improvement	26,274,393	22,861,087	21,712,696	20,734,291	18,690,568	22,705,695	24,565,265	32,435,833	34,432,326	42,566,948	33,082,381
Personal Property	71,819,120	66,768,182	62,310,670	71,494,826	84,989,802	79,720,111	80,232,756	84,987,364	78,101,791	87,019,774	87,956,297
Gross Value	98,093,513	89,629,269	84,023,366	92,229,117	103,680,370	102,425,806	104,798,021	117,423,197	112,534,117	129,586,722	121,038,678
Less Exemptions	0	(7,945,189)	(6,529,813)	(3,176,857)	(5,768,851)	(5,824,787)	(8,003,146)	(11,657,703)	(7,179,814)	(8,606,689)	(14,997,838)
Total Unsecured	**98,093,513**	**81,684,080**	**77,493,553**	**89,052,260**	**97,911,519**	**96,601,019**	**96,794,875**	**105,765,494**	**105,354,303**	**120,980,033**	**106,040,840**
Total Secured and Unsecured	**781,794,576**	**811,346,911**	**853,472,663**	**903,588,010**	**974,771,983**	**1,029,035,149**	**1,108,074,754**	**1,273,190,044**	**1,454,174,512**	**1,533,092,227**	**1,558,566,711**
Percentage Change in Total Value	NA	3.78%	5.19%	5.87%	7.88%	5.57%	7.68%	14.90%	14.22%	5.43%	1.66%
Base Year Value	**683,472,024**	**683,472,024**	**683,472,024**	**689,090,229 [3]**	**689,090,229**	**689,090,229**	**689,090,229**	**685,571,701 [3]**	**680,707,692 [3]**	**680,707,692**	**680,707,692**
Incremental Value	**98,322,552**	**127,874,887**	**170,000,639**	**214,497,781**	**285,681,754**	**339,944,920**	**418,984,525**	**587,618,343**	**773,466,820**	**852,384,535**	**877,859,019**
Percentage Change in Incremental Value	NA	30.06%	32.94%	26.17% [4]	33.19%	18.99%	23.25%	40.25% [4]	31.63% [4]	10.20%	2.99%

[1] Assessed values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] Based on information provided by the County of San Diego Auditor/Controller as indicated in "Report Val File-04 PSVVP70@".
[3] The base value was adjusted in FY 2002-2003, FY 2006-2007, and FY 2007-2008.
[4] Percentage change in annual incremental value would be impacted by changes in the base year value.

Note: Table 1 is based on values provided by the Auditor while Tables 2, 3, 11, and 12 are based on values provided by the County Assessor. Based on discussions with the County Auditor/Controller and County Assessor, discrepancies in the total net assessed values are due to procedural differences and timing in obtaining exemption data.

B. Values by Land Use Type

The Project Area includes a combination of land uses based on an analysis of the Fiscal Year 2009-2010 Assessor's roll. This allocation indicates that 24.32% of the Project Area valuation is attributable to residential land uses (including 21.09% of multifamily residential land use), 55.09% of the value is attributable to commercial property (of which 27.43% is office space), 20.08% is attributable to industrial property, and 0.52% of the value is attributable to institutional, recreation and miscellaneous property. The breakdown by land use type is shown in Table 2.

TABLE 2
FY 2009-2010 ASSESSED VALUE BY LAND USE

Land Use [1]	No. of Parcels [1]	Units	Secured Total Net Assessed Value [2]	Percent of Net Assessed Value
Residential Property (land use codes 07 through 19)				
Vacant Residential	22	0	$1,902,909	0.13%
Single Family Residential	161	161	$43,546,491	3.00%
Multi-Family Residential	863	2,335	$305,722,571	21.09%
Miscellaneous	3	9	$1,304,634	0.09%
Subtotal	1,049	2,505	$352,476,605	24.32%
Commercial Property (land use codes 20 through 39)				
Office Space	423	NA	$397,568,802	27.43%
Retail	71	NA	$94,257,563	6.50%
Vacant Land	44	NA	$12,571,159	0.87%
Other Uses	154	NA	$294,131,926	20.29%
Subtotal	692	NA	$798,529,450	55.09%
Industrial Property (land use codes 40 through 49)				
Vacant Land	44	NA	$9,446,685	0.65%
Factory/Manufacturing	58	NA	$60,583,429	4.18%
Warehouse/Processing/Storage	138	NA	$193,561,413	13.35%
Automotive Garages	33	NA	$21,689,487	1.50%
Miscellaneous	5	NA	$5,784,237	0.40%
Subtotal	278	NA	$291,065,251	20.08%
Farm / Rural Land (land use codes 50 through 65)	0	NA	$0	0.00%
Institutional Property (land use codes 70 through 79)	8	NA	$559,092	0.04%
Recreational Property (land use codes 80 through 84)	5	NA	$6,271,109	0.43%
Miscellaneous Use (land use codes 88 through 90 and 00)	5	NA	$673,164	0.05%
Total	**2,037**	**2,505**	**$1,449,574,671**	**100.00%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies and other non-taxable parcels based on final FY 2009-2010 Assesssor's Roll.
[2] Based on final FY 2009-2010 Assessor's Roll. Land use codes provided by the County Assessor.

Note: Table 1 is based on values provided by the Auditor while Tables 2, 3, 11, and 12 are based on values provided by the County Assessor. Based on discussions with the County Auditor/Controller and County Assessor, discrepancies in the total net assessed values are due to procedural differences and timing in obtaining exemption data.

C. Ten Major Assessees

Table 3 presents the top ten assessees from the Fiscal Year 2009-2010 equalized roll. The table shows the assessee name/owner, the land use of Assessor's Parcels under their ownership, the number of Assessor's Parcels under their ownership, the total

net assessed valuation under their ownership, the percentage of the total Project Area assessed value represented by that owner's property, and the percentage of the total Project Area incremental value represented by the applicable owner's property.

As of May 10, 2010, all top ten assessees are current in the payment of their property taxes.

Five of the top ten assessees filed six assessment appeals for their property. Two of the appeals have been resolved with a total reduction in value of $7,028,794. The remaining four appeals have not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 90% of the contested value as described in the Appeals section. The reduced value is reflected in Table 13 and Exhibit A.

TABLE 3
FY 2009-2010 TOP TEN ASSESSEES

Owner	Land Use	No. of Parcels [1]	Total Secured Net Assessed Value [2]	Percent of Secured Total Net Value	Percent of Incremental Value
Morena Vista LLC [3]	Store Building	1	$59,469,794	4.10%	6.77%
MB Hotel Ventures LLC [4]	Hotel/Motel/Restaurant	8	$42,863,347	2.96%	4.88%
Newport Taft Inc/Mansour Brothers Inc [5]	Hotel/Motel	1	$23,691,467	1.63%	2.70%
Metropolitan Life Insurance Co	Garage/Parking Lot/Used Car Lot	13	$23,565,060	1.63%	2.68%
P S Ivanhoe LLC	Store Building	1	$21,828,000	1.51%	2.49%
Sports Arena Village LTD	Community Shopping Center	1	$20,328,361	1.40%	2.32%
Ess Prisa LLC [6]	Industrial Storage - Bulk	1	$19,768,322	1.36%	2.25%
Aladdin Parking LP	Garage/Parking Lot/Used Car Lot	1	$17,599,691	1.21%	2.00%
Terminal Freight Handling Co [7]	Industrial/Warehouse	1	$16,236,482	1.12%	1.85%
Lockheed Martin Corporation	Factory/Heavy Manufacturing/Garage/Parking Lot	3	$15,292,860	1.05%	1.74%
Grand Total	**NA**	**31**	**$260,643,384**	**17.98%**	**29.69%**

SECURED TOTAL NET ASSESSED VALUE OF TOP 5 OWNERS:	**$171,417,668**
SECURED TOTAL NET ASSESSED VALUE OF TOP 10 OWNERS:	**$260,643,384**
SECURED TOTAL NET ASSESSED VALUE:	**$1,449,574,671**
TOTAL TAX INCREMENT VALUE:	**$877,859,019**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL SECURED NET VALUE:	**11.83%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL TAX INCREMENT VALUE:	**19.53%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL SECURED NET VALUE:	**17.98%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL TAX INCREMENT VALUE:	**29.69%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assesssor's Roll.

[2] Based on final FY 2009-2010 Assessor's Roll.

[3] As shown in the Appeals section, Morena Vista LLC contested that the value of its parcel should be reduced to $35,000,000. The appeal was resolved with the County reducing the value of the parcel to $52,500,000 after the FY 2009-10 Assessor's Roll was finalized. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[4] As shown in the Appeals section, MB Hotel Ventures LLC contested the value of one parcel in FY 2007-2008 which resulted in a reduction in value of $59,000 after the FY 2009-2010 Assessor's Roll was finalized. In addition, MB Hotel Ventures LLC filed additional appeals contesting the values of the remaining 7 parcels should be reduced from $31,165,121 to $21,120,730. DTA has assumed the pending appeals are resolved in favor of the applicant at a rate of 90% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[5] As shown in the Appeals section, Newport Taft Inc./Mansour Brothers Inc. contested that the value of its parcel should be reduced from $23,691,467 to $14,214,879. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 90% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[6] As shown in the Appeals section, ESS Prisa LLC contested that the value of its parcel should be reduced from $19,768,322 to $15,631,549. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 90% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[7] As shown in the Appeals section, Terminal Freight Handling Co filed an appeal under the name Sears Holdings Corporation contesting the value of its parcel should be reduced from $16,236,482 to $10,000,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 90% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

D. ASSESSMENT APPEALS

1. INTRODUCTION

If a property owner believes that the assessed value is inaccurate, an appeal may be filed with the County Assessment Appeals Board during the period between July and November of each fiscal year. A resolved appeal may produce a reduction in the original contested value and a refund to the property owner for overpaid property taxes. If the appeal is withdrawn, there is no change in the original value.

During a real estate market downturn, the market value of property may fall below the assessed value. Under State law, Proposition 8 allows property owners to apply for a temporary reduction in assessed value to match the current market value. As market values increase, the assessed property values will also increase up to the original assessed value (plus the annual California Consumer Price Index ("CPI") increase, not to exceed 2%, as stipulated by Proposition 13).

In addition, the County Assessor's office allows property owners to file a Proposition 8 reduction request to their area appraiser between January and May of each fiscal year in order to reduce the assessed value of their property without having to file an assessment appeal with the County Assessment Appeals Board, otherwise known as an informal review. The County Assessor's office provides this option to property owners in order to limit the number of assessment appeals requiring hearings before the County Assessment Appeals Board. In order to calculate the reduced assessed value, the area appraiser will use several variables, including the date of construction, land use type, and recent comparable sales from the surrounding area.

A property owner may file multiple appeals for one parcel (for the same or different fiscal year), resulting in a parcel having several appeals being reviewed by the County Assessment Appeals Board at any time. Based on discussions with the County Assessment Appeals Board, in cases where multiple appeals have been filed on one parcel, typically one appeal will be resolved and subsequent appeals will not result in further reductions of value. Therefore, for purposes of this analysis, DTA has assumed only one appeal resulted in a reduction in value, and subsequent pending appeals will result in no change in value.

As of March 8, 2010, there were 85 unresolved appeals for 76 parcels within the Project Area. Tables 4 through 7 show recent historical assessment appeals in the Project Area, providing the following information: fiscal year in which appeal was received, land use, owner/applicant name, number of parcels being appealed by owner/applicant, whether or not appeal is for Proposition 8, number of pending appeals included in our analysis (when

multiple appeals have been filed on one parcel), the status of the appeal, the contested assessed value, the applicant's opinion of value, the proposed changed value for pending appeals or board approved value for resolved appeals, and the impact of the changed values.

2. APPEALS INFORMATION PROVIDED BY THE COUNTY

The County Assessor has provided the following information for inclusion in this Fiscal Consultant Report.

> For Fiscal Year 2009-2010, the County Assessor's office received approximately 32,000 applications County-wide for reductions of assessed values of real property during their "informal" review process (1/1/2009 – 5/30/2009) for such fiscal year. In addition to the 32,000 informal applications, the County Assessor's office was proactive and, on its own, reduced the assessed values for approximately 72,000 properties County-wide. Less than 3,500 of the 104,000 total reductions were for non-residential properties. When the County Assessor's office receives a large number of requests from a specific area, such as a condominium complex or subdivision of tract homes, the County Assessor may choose to review the entire complex or the entire tract.
>
> In addition to the 104,000 reductions discussed above, over 6,447 "formal" assessment appeal applications were received for Fiscal Year 2009-2010 during the County's formal review period (7/2/2009 – 11/30/2009) for such fiscal year. Because these appeals are going through the County's formal process, any reductions to value will take longer to appear on the tax roll than reductions made through the County's informal appeal process described above.
>
> For the Fiscal Year 2010-2011 roll, the County Assessor estimated a County-wide reduction in net assessed value of approximately 1.0% from the Fiscal Year 2009-2010 roll. This reduction is based on economic factors such as lower sales prices, reduced levels of new construction, Fiscal Year 2009-2010 appeals/reductions, as well as the 0.237% decline in the CPI which will be applied to all property subject to Proposition 13 (rather than the typical 2% annual increase). For Fiscal Year 2011-2012, the County Assessor estimates a County-wide reduction similar to Fiscal Year 2010-2011, based on historical trends.
>
> In order to estimate the magnitude of the Fiscal Year 2010-2011 change in value for the Project Area, DTA compared the Project Area reduction in value from Fiscal Year 2008-2009 to Fiscal Year 2009-2010 to the County-wide reduction in value for the same period.

Based on discussions with the Agency, the Project Area is anticipated to experience declines that are approximately equal to the County-wide average. Therefore, we have assumed a reduction in value of 1% for both Fiscal Years 2010-2011 and 2011-2012. The chart below summarizes the reduction in assessed values and its impact on incremental value.

Fiscal Year	Approximate County-wide Change in Assessed Value [1]	Project Area Change in Assessed Value	Project Area Change in Incremental Value
Actual 2009-2010	-3%	+2%	+3%
Estimated 2010-2011	-1%	-1%	-2%
Estimated 2011-2012	-1%	-1%	-2%
[1] Based on information provided by the County of San Diego Assessor's Office.			

3. Historical Appeal Reductions

DTA researched the pending and recently resolved assessment appeals to determine how tax refunds as a result of appeals might reduce the tax increment received by the Agency from the Project Area.

For purposes of this analysis, DTA has excluded any appeals that were withdrawn by the applicant. In addition, DTA has assumed that pending appeals resulted in a reduced value equal to the greater of the applicant's opinion of value or 90% of the contested value. The estimated reduction for pending appeals is based on an analysis of resolved assessment appeal data for property in the Project Area and other project specific factors and estimated County-wide value reductions going forward as explained in Section II.D.2 above.

4. Fiscal Year 2006-2007 Appeals

During Fiscal Year 2006-2007, one appeal was filed in the Project Area as shown in Table 4. The total Fiscal Year 2006-2007 assessed value of $1,050,000 was resolved with a reduction in value of $140,000 for Fiscal Year 2006-2007, a 13.33% decline.

TABLE 4
FY 2006-2007 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	*0*	*0*	*0*	*$0*	*$0*	*$0*	*$0*	*0.00%*
Resolved Appeals								
Non-Residential								
SEDLACK DEVELOPMENT CO. L.P.	1	0		$1,050,000	$885,000	$910,000	($140,000)	-13.33%
Subtotal - Non-Residential	1	0	NA	$1,050,000	$885,000	$910,000	($140,000)	-13.33%
Pending Appeals	0	0	0	$0	$0	$0	$0	0.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	1	0	NA	$1,050,000	$885,000	$910,000	($140,000)	-13.33%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Total FY 2006-2007 Pending and Resolved Appeals	1	0	NA	$1,050,000	$885,000	$910,000	($140,000)	-13.33%

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 90% of the contested value. Actual resolved appeals in the project area since FY 2006-2007 resulted in an average reduction of 11%.

5. Fiscal Year 2007-2008 Appeals

During Fiscal Year 2007-2008, a total of 17 appeals were filed in the Project Area as shown in Table 5. One appeal was resolved with no change in value for Fiscal Year 2007-2008. Sixteen appeals with a total Fiscal Year 2007-2008 assessed value of $61,041,991 were resolved with a total reduction in value of $7,079,829 for Fiscal Year 2007-2008, a 11.60% decline.

TABLE 5
FY 2007-2008 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	*0*	*0*	*0*	*$0*	*$0*	*$0*	*$0*	*0.00%*
Resolved Appeals								
Residential								
INDIVIDUAL HOMEOWNERS	7	6		$4,236,295	$3,556,500	$3,713,566	($522,729)	-12.34%
Subtotal - Residential	7	6	NA	$4,236,295	$3,556,500	$3,713,566	($522,729)	-12.34%
Non-Residential								
BENKLE ELLEN INTERVIVOS TR	1	1		$672,935	$565,000	$672,935	$0	0.00%
DARRELL HOLT	1	0		$407,296	$359,796	$359,796	($47,500)	-11.66%
JUNE SAVIANESO	1	0		$12,550,000	$7,000,000	$11,170,000	($1,380,000)	-11.00%
MB HOTEL VENTURES LLC	5	5		$39,962,800	$27,413,428	$35,478,800	($4,484,000)	-11.22%
MILAN/DIANA KISER TRUST	1	1		$1,560,600	$850,000	$1,250,000	($310,600)	-19.90%
STIVERS PROPERTIES LLC	1	0		$2,325,000	$1,580,000	$1,990,000	($335,000)	-14.41%
Subtotal - Non-Residential	10	7	NA	$57,478,631	$37,768,224	$50,921,531	($6,557,100)	-11.41%
Pending Appeals	0	0	0	$0	$0	$0	$0	0.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	9	7	NA	$18,444,192	$11,416,296	$16,183,363	($2,260,829)	-12.26%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	8	6	NA	$43,270,734	$29,908,428	$38,451,734	($4,819,000)	-11.14%
Total FY 2007-2008 Pending and Resolved Appeals	17	13	NA	$61,714,926	$41,324,724	$54,635,097	($7,079,829)	-11.47%

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 90% of the contested value. Actual resolved appeals in the project area since FY 2006-2007 resulted in an average reduction of 11%.

6. Fiscal Year 2008-2009 Appeals

During Fiscal Year 2008-2009, a total of 64 appeals were filed Project Area as shown in Table 6. Ten appeals were resolved with no change in value for Fiscal Year 2008-2009. Forty-three appeals with a total Fiscal Year 2008-2009 assessed value of $98,322,904 were resolved with a total reduction in value of $10,563,027 for Fiscal Year 2008-2009, a 10.74% decline.

For the remaining 11 pending appeals through Fiscal Year 2008-2009 with a combined total Fiscal Year 2008-2009 assessed value of $8,558,923, DTA has estimated a total reduction of $855,892 which represents 10% of the contested value as described in Section II.D.3 above.

TABLE 6
FY 2008-2009 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals								
Residential								
INDIVIDUAL HOMEOWNERS	1	1	1	$1,565,281	$1,017,000	$1,408,753	($156,528)	-10.00%
Subtotal - Residential	1	1	1	$1,565,281	$1,017,000	$1,408,753	($156,528)	-10.00%
Non-Residential								
HARBOR HOTEL ASSOCIATES LLC [2]	1	1	1	$68,310	$35,000	$61,479	($6,831)	-10.00%
PACIFICA KETTNER LP	9	9	9	$6,925,332	$2,410,000	$6,232,799	($692,533)	-10.00%
Subtotal - Non-Residential	10	10	10	$6,993,642	$2,445,000	$6,294,278	($699,364)	-10.00%
Resolved Appeals								
Residential								
POINT LOMA NAZARENE UNIVERSITY	6	6		$2,761,300	$2,442,700	$2,761,300	$0	0.00%
INDIVIDUAL HOMEOWNERS	32	32		$19,351,159	$13,974,555	$16,482,577	($2,868,582)	-14.82%
Subtotal - Residential	38	38	NA	$22,112,459	$16,417,255	$19,243,877	($2,868,582)	-12.97%
Non-Residential								
1858 SAN DIEGO AVE, LLC C/O GREG SMITH	3	3		$1,407,161	$900,000	$1,250,000	($157,161)	-11.17%
2790 LYTTON ST LLC	1	1		$1,910,174	$1,622,573	$1,710,000	($200,174)	-10.48%
DAVID MCDONOUGH	1	1		$2,340,900	$1,600,000	$1,900,000	($440,900)	-18.83%
KARISA KARLOVICH	1	1		$1,274,490	$700,000	$1,160,000	($114,490)	-8.98%
LAROSE HUNT	1	1		$729,300	$660,000	$630,000	($99,300)	-13.62%
MARCELO VALDEZ	2	2		$1,071,000	$679,210	$911,000	($160,000)	-14.94%
MORENA VISTA LLC [4]	1	1		$58,303,720	$35,000,000	$52,500,000	($5,803,720)	-9.95%
OTT REVOCABLE TRUST	2	0		$1,125,000	$625,000	$1,000,000	($125,000)	-11.11%
PRESIDO TROLLEY PLAZA, LLC	2	2		$6,752,000	$5,093,000	$6,480,000	($272,000)	-4.03%
TESORO REFINING AND MARKETING	1	0		$1,296,700	$800,000	$975,000	($321,700)	-24.81%
Subtotal - Non-Residential	15	12	NA	$76,210,445	$47,679,783	$68,516,000	($7,694,445)	-10.10%
Pending Appeals	11	11	11	$8,558,923	$3,462,000	$7,703,031	($855,892)	-10.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	33	33	NA	$19,547,929	$14,839,245	$17,374,877	($2,173,052)	-11.12%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	20	17	NA	$78,774,975	$49,257,793	$70,385,000	($8,389,975)	-10.65%
Total FY 2008-2009 Pending and Resolved Appeals	64	61	NA	$106,881,827	$67,559,038	$95,462,908	($11,418,919)	-10.68%

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 90% of the contested value. Actual resolved appeals in the project area since FY 2006-2007 resulted in an average reduction of 11%.
[2] Appeals were filed for different parcels owned by Harbor Hotel Associates, LLC in FY 2008-2009 and FY 2009-2010.

7. Fiscal Year 2009-2010 Appeals

During Fiscal Year 2009-2010, a total of 75 appeals were filed Project Area as shown in Table 7. One appeal with a total Fiscal Year 2009-2010 assessed value of $4,889,880 was resolved with a total reduction in value of $389,880 for Fiscal Year 2009-2010, a 7.97% decline.

For the remaining 74 pending appeals through Fiscal Year 2009-2010 with a combined total Fiscal Year 2009-2010 assessed value of $222,069,949, DTA has estimated a total reduction of $20,622,617 which represents 9.29% of the contested value as described in Section II.D.3 above.

TABLE 7
FY 2009-2010 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis [2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals								
Residential								
NSHE CA MAGIC LLC	2	2	2	$1,938,000	$1,234,666	$1,744,200	($193,800)	-10.00%
INDIVIDUAL HOMEOWNERS [1, 2]	13	13	11	$10,408,417	$6,743,188	$9,831,205	($577,213)	-5.55%
Subtotal - Residential	15	15	13	$12,346,417	$7,977,854	$11,575,405	($771,013)	-6.24%
Non-Residential								
3957 PACIFIC HWY, LLC	2	2	2	$1,897,200	$1,400,000	$1,707,480	($189,720)	-10.00%
7-ELEVEN #13644 MORENA TRIANGLE LLC	1	1	1	$795,905	$550,000	$716,315	($79,591)	-10.00%
801 ROSSI, LLC	1	1	1	$3,641,400	$2,300,000	$3,277,260	($364,140)	-10.00%
AEG MANAGEMENT SD LLC	1	0	1	$4,465,552	$2,502,714	$4,018,997	($446,555)	-10.00%
BEAR FENCE	1	1	1	$1,716,660	$1,143,680	$1,544,994	($171,666)	-10.00%
CHICK-FIL-A, INC.	1	1	1	$1,432,451	$1,176,186	$1,289,206	($143,245)	-10.00%
COLUMBIA HOTEL INC.	1	0	1	$2,000,000	$1,460,131	$1,800,000	($200,000)	-10.00%
DAVID MCDONOUGH	1	1	1	$1,900,000	$1,536,000	$1,710,000	($190,000)	-10.00%
ESS PRISA LLC	1	1	1	$19,768,322	$15,631,549	$17,791,490	($1,976,832)	-10.00%
EZ LUBE LLC	1	1	1	$813,971	$700,000	$732,574	($81,397)	-10.00%
GARRETT H-C	1	1	1	$566,515	$450,000	$509,864	($56,652)	-10.00%
H&A SAN DIEGO LP	1	1	1	$3,555,226	$1,800,000	$3,199,703	($355,523)	-10.00%
HARBOR HOTEL ASSOCIATES, LLC [3]	1	1	1	$3,137,658	$1,800,000	$2,823,892	($313,766)	-10.00%
JAMES LESTER	1	1	1	$595,000	$492,000	$535,500	($59,500)	-10.00%
LOMA CABRILLO, LLC	1	1	1	$13,200,401	$4,782,000	$11,880,361	($1,320,040)	-10.00%
LYONS REALTY WEST TOYOTA, LLC	1	1	1	$3,254,871	$2,495,625	$2,929,384	($325,487)	-10.00%
MB HOTEL VENTURES [2]	8	8	7	$32,597,751	$22,119,999	$29,481,239	($3,116,512)	-9.56%
MIDWAY PLAZA LLC	1	1	1	$5,610,000	$3,366,000	$5,049,000	($561,000)	-10.00%
MILTON & SHIRLEY MEUNITZ FAMILY TRUST	2	2	2	$1,826,092	$1,350,000	$1,643,483	($182,609)	-10.00%
MISSION BAY HOTEL OWNERS LP	1	1	1	$14,753,245	$9,000,000	$13,277,921	($1,475,325)	-10.00%
MORENA-MISSION PROPERTIES, LLC	1	1	1	$2,445,000	$1,800,000	$2,200,500	($244,500)	-10.00%
NEWPORT TAFT	1	1	1	$23,691,467	$14,214,879	$21,322,320	($2,369,147)	-10.00%
OLIVERMCMILLAN ROSECRANS LLC	1	1	1	$892,500	$462,000	$803,250	($89,250)	-10.00%
PACIFICA KETTNER LP [2]	10	10	1	$7,207,416	$2,710,000	$7,193,058	($14,359)	-0.20%
PARTNERS CELIAC	1	1	1	$3,000,000	$2,000,000	$2,700,000	($300,000)	-10.00%
PIER 1 IMPORTS	1	1	1	$966,205	$800,000	$869,585	($96,621)	-10.00%
PINNACLE ROSECRANS LP	1	1	1	$8,804,415	$7,250,000	$7,923,974	($880,442)	-10.00%
R&H PROPERTIES LP	1	1	1	$2,429,333	$1,336,000	$2,186,400	($242,933)	-10.00%
RICHARD SALLESE	2	2	2	$541,212	$187,000	$487,091	($54,121)	-10.00%
SEARS HOLDINGS CORPORATION [4]	1	1	1	$16,236,482	$10,000,000	$14,612,834	($1,623,648)	-10.00%
SIMON&ASSOCIATES LLC	3	3	3	$1,872,720	$1,432,380	$1,685,448	($187,272)	-10.00%
SPORTS ARENA INVESTMENTS LLC	1	0	1	$9,000,000	$6,200,000	$8,100,000	($900,000)	-10.00%
SPRINGBOK REALTY, LLC	1	1	1	$1,931,398	$675,000	$1,738,258	($193,140)	-10.00%
STIVERS PROPERTIES LLC [2]	1	1	0	$2,711,029	$1,488,000	$2,711,029	$0	0.00%
WAJEEH BERRY	1	1	1	$2,842,702	$284,270	$2,558,432	($284,270)	-10.00%
WEST MARINE PRODUCTS/TOM MANNING	1	1	1	$4,814,501	$4,000,000	$4,333,051	($481,450)	-10.00%
WILLIAM COLE	1	0	1	$847,986	$693,987	$763,187	($84,799)	-10.00%
WILLIAM CONNER	1	1	1	$1,960,946	$1,410,000	$1,764,851	($196,095)	-10.00%
Subtotal - Non-Residential	59	55	48	$209,723,532	$132,999,400	$189,871,928	($19,851,604)	-9.47%

TABLE 7 CONTINUED
FY 2009-2010 ASSESSMENT APPEALS

Resolved Appeals								
Non-Residential								
1210 MORENA WEST LLC/BEST BUY	1	1		$4,889,880	$2,750,000	$4,500,000	($389,880)	-7.97%
Subtotal - Non-Residential	1	1	NA	$4,889,880	$2,750,000	$4,500,000	($389,880)	-7.97%
Pending Appeals	74	70	61	$222,069,949	$140,977,254	$201,447,332	($20,622,617)	-9.29%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	1	1	NA	$4,889,880	$2,750,000	$4,500,000	($389,880)	-7.97%
Total FY 2009-2010 Pending and Resolved Appeals	75	71	NA	$226,959,829	$143,727,254	$205,947,332	($21,012,497)	-9.26%
Grand Total - Pending Appeals				**$216,899,417**	**$137,917,797**	**$195,420,908**	**($21,478,509)**	**-9.90%**
Grand Total - Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll				**$36,211,321**	**$25,200,541**	**$32,078,340**	**($4,132,981)**	**-11.41%**
Grand Total - Resolved Appeals After Final FY 2009-2010 Assessor Roll				**$88,349,789**	**$55,437,588**	**$79,175,934**	**($9,173,855)**	**-10.38%**
GRAND TOTAL - Pending and Resolved Appeals				**$341,460,527**	**$218,555,926**	**$306,675,182**	**($34,785,345)**	**-10.19%**

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resulted in a reduction equal to the lesser of the applicant's opinion of value or a rate of 90% of the contested value. Actual resolved appeals in the project area since FY 2006-2007 resulted in an average reduction of 11%.
[2] A parcel may have multiple appeals filed by a property owner. For purposes of this analysis, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.
[3] Appeals were filed for different parcels owned by Harbor Hotel Associates, LLC in FY 2008-2009 and FY 2009-2010.
[4] Appeal was filed under the name Sears Holdings Corporation, however, parcel is owned by Terminal Freight Handling Co., one of the top assessees as shown in Table 3.

8. Top Taxpayer Appeals

As indicated in Table 3, the following top taxpayers have appealed their assessed value for Assessor's Parcels that they currently own:

Morena Vista LLC filed an assessment appeal contesting that the Fiscal Year 2009-2010 assessed value of its parcel should be reduced from $58,303,720 to $35,000,000. The appeal was resolved with the County reducing the value of the parcel to $52,500,000 after the Fiscal Year 2009-10 Assessor's Roll was finalized. The reduced value is reflected in Table 13 and Exhibit A.

MB Hotel Ventures LLC filed an assessment appeal contesting that the Fiscal Year 2007-2008 assessed value of its parcel should be reduced from $1,377,000 to $1,318,000. The appeal was resolved with the County reducing the value of the parcel to $1,318,000 after the Fiscal Year 2009-2010 Assessor's Roll was finalized. In addition, MB Hotel Ventures LLC filed additional appeals contesting the values of 7 additional parcels should be reduced from $31,165,121 to $21,120,730. The appeals have not yet been resolved by the County, but DTA has assumed the appeals are resolved in favor of the applicant at a rate of 90% of the contested values, as described in Section II.D.3 above. The reduced values are reflected in Table 13 and Exhibit A.

Newport Taft Inc./Mansour Brothers Inc. filed an assessment appeal contesting that the Fiscal Year 2009-2010 assessed value of its parcel should be reduced from $23,691,467 to $14,214,879. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 90% of the contested value, as described in Section II.D.3 above. The reduced value is reflected in Table 13 and Exhibit A.

ESS Prisa LLC filed an assessment appeal contesting that the Fiscal Year 2009-2010 assessed value of its parcel should be reduced to $15,631,549 from $19,768,322. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 90% of the contested value, as described in Section II.D.3 above. The reduced value is reflected in Table 13 and Exhibit A.

Terminal Freight Handling Co filed an assessment appeal under the name Sears Holdings Corporation contesting the value of its parcel should be reduced from $16,236,482 to $10,000,000. The appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 90% of the contested value, as described in Section II.D.3 above. The reduced value is reflected in Table 13 and Exhibit A.

E. Projections of Total Assessed Values

Due to the fact that the current real estate market downturn may last for several years, we have estimated an annual reduction of assessed values through Fiscal Year 2011-2012. As discussed in Section II.D.2 above, we have assumed a reduction in value of 1% for Fiscal Years 2010-2011 and 2011-2012. We have then assumed no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter. However, we are not showing the increase in values back to base values for any value reductions other than the 1% and 2% annual increases as described above. It is important to note that the actual reduction to tax increment for future years may be higher or lower for a number of different reasons, including filing of additional appeals in future years.

III. PROJECT TAX INCREMENT REVENUE ALLOCATION

A. TAX RATES

Tax increment revenues in this analysis are calculated by applying the tax rate determined by the County Assessor to the annual incremental assessed value of the Project Area. The general ad valorem tax rate is $1 per $100 of assessed value. In addition to this rate, an override rate reflects the debt service for various agencies which have issued bonds in the Project Area. Pursuant to Section 33670 (e) of the Health and Safety Code, approved on November 8, 1988, tax increment revenues cannot be calculated using property taxes generated from voter-approved bonded indebtedness on or following January 1, 1989. Table 8 shows the Fiscal Year 2009-2010 rates in the Project Area, separating the override amounts attributed to bonded indebtedness by participating agencies which excludes those that started levying a charge after January 1, 1989. Thus, the Fiscal Year 2009-2010 tax rate used to calculate tax increment in the Project Area is $1.00930 per $100 of assessed value. DTA assumes a secured tax rate of $1.00 per $100 after Fiscal Year 2009-2010 as the override rates usually decline over time as values increase and bonded indebtedness is paid off.

TABLE 8
SUMMARY OF PARTICIPATING AND NON-PARTICIPATING AGENCIES

Participating Agencies [1]	FY 2008-2009 Rates for TRA 008-256 [3]	FY 2009-2010 Rates for TRA 008-256 [3]	FY 2008-2009 Rates for TRA 008-987 [4]	FY 2009-2010 Rates for TRA 008-987 [4]
	1.00000%	1.00000%	1.00000%	1.00000%
City of San Diego Zoological Exhibit	0.00500%	0.00500%	0.00500%	0.00500%
San Diego Unified Lease/Purchase	0.00000%	0.00000%	0.00000%	0.00000%
Metropolitan Water District	0.00430%	0.00430%	0.00000%	0.00000%
County Water Authority	0.00000%	0.00000%	0.00000%	0.00000%
Subtotal	1.00930%	1.00930%	1.00500%	1.00500%
Non-Participating Agencies [2]				
San Diego City Public Safety	0.00108%	0.00113%	0.00108%	0.00113%
San Diego Unified Bond Series 1999A	0.00788%	0.00868%	0.00788%	0.00868%
San Diego Unified Bond Series 2000B	0.00639%	0.00717%	0.00639%	0.00717%
San Diego Unified Bond Series 2001C	0.00734%	0.00824%	0.00734%	0.00824%
San Diego Unified Bond Series 2002D	0.00965%	0.01074%	0.00965%	0.01074%
San Diego Unified Bond Series 2003E	0.01411%	0.01514%	0.01411%	0.01514%
San Diego Unified Bond Series 1998F	0.00324%	0.00351%	0.00324%	0.00351%
San Diego Unified Bond Series 1998G	0.00440%	0.00496%	0.00440%	0.00496%
San Diego Unified Bond Series 2006 F-1 Refunding	0.00458%	0.00464%	0.00458%	0.00464%
San Diego Unified Bond Series 2006 G-1 Refunding	0.00425%	0.00362%	0.00425%	0.00362%
San Diego Community College Bond 2003A	0.00068%	0.00213%	0.00068%	0.00213%
San Diego Community College Bond 2003B	0.00840%	0.00917%	0.00840%	0.00917%
San Diego Community College Bond Prop N Series 2006A	0.00304%	0.00845%	0.00304%	0.00845%
San Diego Community College Bond Prop S Series 2009C	0.00000%	0.00507%	0.00000%	0.00507%
Subtotal	0.07504%	0.09265%	0.07504%	0.09265%
Grand Total	**1.08434%**	**1.10195%**	**1.08004%**	**1.09765%**

[1] Agencies that began levying an annual charge before January 1, 1989.
[2] Agencies that have been levying an annual charge after January 1, 1989.
[3] Tax rates based on information provided by the San Diego County Auditor/Controller.
[4] Please note that TRA 008-987 has a total net value of only $212,010. For purposes of projecting the FY 2009-2010 tax increment, we are using the rates for TRA 008-256.

B. Supplemental Taxes, Delinquencies, Penalties, Interest

Supplemental property taxes are a result of change in ownership of property or new construction. They are based on the difference between the prior year value and the new value and can represent either a positive or negative impact to the Project Area value. They are allocated to the Agency throughout the year and included in the ten apportionments made each year to the Agency by the Auditor Controller. The history of supplemental tax receipts in the Project Area is shown in Table 9. To be conservative, future supplemental assessments are not projected.

TABLE 9
ALLOCATION ADJUSTMENTS [1]

Year	Supplemental Roll	Roll Corrections	Refunds/Adjustments	Delinquencies/ Penalties	Total Adjustments
1999-2000 [2]	$58,772.40	($3,618.62)	($3,636.23)	$0.00	$51,517.55
2000-2001	$266,734.35	($361.35)	($24,239.95)	$19,764.17	$261,897.22
2001-2002	$315,126.24	($3,029.85)	($31,824.99)	$24,910.25	$305,181.65
2002-2003	$40,986.26	$8,170.82	($23,310.51)	$31,072.88	$56,919.45
2003-2004	$355,265.67	($1,581.70)	($31,097.20)	$41,468.00	$364,054.77
2004-2005	$503,892.13	($3,996.50)	($43,172.25)	$42,227.52	$498,950.90
2005-2006	$503,354.23	$1,972.61	($75,496.37)	$58,723.14	$488,553.61
2006-2007	$1,525,781.90	($3,794.19)	($127,295.30)	$81,361.26	$1,476,053.67
2007-2008	$595,173.47	($2,845.10)	($49,560.62)	$156,085.46	$698,853.21
2008-2009	$370,991.58	($16,226.05)	($85,794.26)	$300,368.59	$569,339.86

[1] Based on information in the Agency Trust Fund Summary, prepared by the San Diego County Auditor-Controller.
[2] Fiscal Year 1999-2000 reflects the first year tax increment monies were collected.

Tax increment payments can also be adjusted due to roll corrections, delinquencies, penalties, and interest. Property taxes on assessed valuations that are reduced due to later assessment appeals result in refunds for the taxes paid based on the original value. The historical amounts of these adjustments are also shown in Table 9.

The historical percentage of tax receipts to the actual amount of taxes levied is shown in Table 10. Please note that the total tax receipts collected often exceed the amount levied due to collection of penalties and interest.

TABLE 10
HISTORIC RECEIPTS TO LEVY ANALYSIS [1]

Fiscal Year Ending:	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
I. Reported Assessed Value										
Total Project Value [2]	$781,794,576	$811,346,911	$853,472,663	$903,588,010	$974,771,983	$1,029,035,149	$1,108,074,754	$1,273,190,044	$1,454,174,512	$1,533,092,227
Less Base Value [3]	683,472,024	683,472,024	683,472,024	689,090,229	689,090,229	689,090,229	689,090,229	680,707,692	680,707,692	680,707,692
Incremental Value	98,322,552	127,874,887	170,000,639	214,497,781	285,681,754	339,944,920	418,984,525	592,482,352	773,466,820	852,384,535
Tax Rate [4]	1.11065%	1.11046%	1.10928%	1.10820%	1.01177%	1.01080%	1.01020%	1.00970%	1.00950%	1.00930%
II. Gross Tax Increment	1,092,019	1,419,999	1,885,783	2,377,064	2,890,442	3,436,163	4,232,582	5,982,294	7,808,148	8,603,117
Unitary Revenue	0	0	2,051	1,952	2,872	2,908	2,925	4,111	17,512	18,029
County Administrative Expenses	(10,197)	(5,138)	(12,907)	(20,149)	(26,101)	(27,998)	(36,410)	(48,119)	(57,380)	(78,745)
Total Computed Levy	1,081,822	1,414,862	1,874,927	2,358,867	2,867,213	3,411,072	4,199,097	5,938,287	7,768,280	8,542,400
III. Total Receipts [5]	933,195	1,656,437	2,135,793	2,546,150	3,218,779	3,857,335	4,613,034	7,222,032	8,195,361	8,811,501
Surplus/(Shortfall)	(148,627)	241,575	260,866	187,283	351,566	446,262	413,937	1,283,745	427,081	269,100
% Difference of Computed Levy [5]	86.26%	117.07%	113.91%	107.94%	112.26%	113.08%	109.86%	121.62%	105.50%	103.15%

[1] Fiscal Year 1999-2000 reflects the first year tax increment monies were collected.
[2] Based on total secured and unsecured value for the Project provided by the San Diego County Auditor/Controller as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for Fiscal Year 2009-2010)
[3] Base value was increased by $5.6 million in FY 2002-2003 and adjusted downward by $3.5 million and $4.9 million in FY 2006-2007 and FY 2007-2008, respectively.
[4] Based on rates for TRA 008-256.
[5] Actual receipts collected often exceed the amount levied due to penalties and interest collected by the Agency.

C. UNITARY TAXES

The State Board of Equalization ("SBE") establishes the taxable value of real and personal property of utilities, and since Fiscal Year 1988-1989, the values have been assessed as a Countywide unit. There are several qualifications to the unitary revenue disbursement: a taxing agency is entitled to receive the same amount of revenue as the previous year as well as an increase of up to 2%, unless unitary revenues decrease below a level adequate to provide each taxing agency with the same share as the prior year. In this case, the unitary revenues will be reduced pro rata to all agencies. The other component of unitary allocation is significant when the assessed valuation of unitary taxes increases by more than 2% in one year, in which case revenues are allocated according to the percentage that each taxing agency in the County receives for secured taxable values. As of Fiscal Year 1988-1989, when the allocation procedures changed, it was determined that a taxing agency that was created after Fiscal Year 1988-1989 was not entitled to receive unitary revenues. Due to the abovementioned procedure, no unitary revenues were received in years prior to the creation of the Project Area in 1998.

Unitary revenue for the Project Area received as of June 30, 2009 was $18,029. The Project Area received a proportion of the increased amount as it was entitled to receive a share of the revenues. Assuming that the unitary revenues will stay at a constant level in future years, DTA is conservatively estimating that the Project Area will continue to receive the same amount.

D. ADMINISTRATIVE CHARGES

Senate Bills 2557 and 1559 allow counties to determine property tax administrative charges to local agencies in the proportion that is attributable to their property tax administrative costs to the County. The average administrative charge from Fiscal Year 2004-2005 through Fiscal Year 2008-2009 was approximately 0.86% of gross incremental revenue.

DTA has conservatively estimated the charge for future years to be 1.00% of gross incremental revenue. Tables 13 and Exhibit A show the administrative charge as a deduction to the gross revenue in the Project Area.

E. LOW AND MODERATE INCOME HOUSING SET ASIDE

In accordance with Community Redevelopment Law (Health and Safety Code, Section 33000 *et seq.*), the Agency is required to set aside 20% of all tax increment revenues into a low and moderate income housing fund. For purposes of this analysis, DTA assumes that the Agency will continue to set aside 20% of the tax increment in order to improve, add to, or maintain the City of San Diego's supply of low and moderate income housing in future years. Exhibit A, which projects future tax increment revenues for the Project Area, indicates the amount set aside for low and moderate income housing each year as a separate line item. The housing revenues are pledged to pay debt service on the proposed pooled housing bonds

described in Section I.B.

F. AB 1290 Payments to Affected Taxing Entities

Assembly Bill 1290 ("AB 1290") was effective as of January 1, 1994 and was significant in that it put an end to the ability of public agencies to enter into "pass through agreements" and instead the amounts to be paid to the affected taxing agencies are automatically set at statutory levels of non-housing revenue. Since the Project Area will not be pledging non-housing revenue for the proposed pooled housing bonds described in Section I.B, the AB 1290 payments have been excluded from Table 13 and Exhibit A.

G. Property Tax Delinquencies and Foreclosures

Delinquency information for the Project Area was researched with the County on May 10, 2010. As of this date, 113 parcels (5.56% of the total parcels) in the Project Area had a delinquency rate of 5.01% in the payment of secured Fiscal Year 2009-2010 property taxes to the County Tax Collector.

Information regarding foreclosure proceedings for residential parcels within zip code 92110, which partially encompass the Project Area, but also include areas outside the Project Area, was researched through RealtyTrac on May 13, 2010. As of this date, 404 residential properties had Notices of Default recorded with the County of San Diego, 551 residential properties were undergoing a trustee's sale, and 519 residential properties were bank-owned. Please note that zip code 92110 encompass over 11,000 residential units while the Project Area encompasses 2,505 residential units. Therefore, the actual number of residential properties within the Project Area which are affected by foreclosure proceedings will be less than stated above.

H. Educational Revenue Augmentation Fund ("ERAF")

In July 2009, the State Legislature adopted AB 26 which required redevelopment agencies to pay into their respective County Supplemental Educational Revenue Augmentation Fund ("SERAF") an aggregate amount of $1.7 billion in Fiscal Year 2009-2010, of which approximately $56 million was the Agency's share, and an additional $350 million in Fiscal Year 2010-2011, of which approximately $11.5 million is the Agency's share. On May 10, 2010, the Agency made the required SERAF payment using prior-year Project Area non-housing tax increment revenues on hand. Since the Project Area will not be pledging non-housing revenue for the proposed pooled housing bonds described in Section I.B, no ERAF or SERAF payments are shown in Table 13 and Exhibit A.

IV. PROJECT TAX INCREMENT PROJECTIONS

A. CHANGES IN ASSESSED VALUES

Tables 11 and 12 present an analysis of the greatest changes in assessed value between Fiscal Years 2008-2009 and 2009-2010. As shown in Tables 11 and 12, the total assessed value for 264 residential parcels was reduced by $23,384,405 (percentage change from Fiscal Year 2008-2009 to Fiscal Year 2009-2010 is -19.17%) by the County Assessor for Fiscal Year 2009-2010 as a result of Proposition 8 reductions and changes in ownership. Of the remaining residential parcels in the Project Area, 460 parcels increased in value by the 2% inflation factor for Fiscal year 2009-2010 and 277 parcels were increased in value by greater amounts. The remaining 46 residential parcels either increased by less than the 2% inflation factor or remained unchanged from Fiscal Year 2008-2009. In total, residential parcels in the Project Area decreased in value for Fiscal Year 2009-2010 by $5,906,908, or -1.65% from the residential property values for Fiscal Year 2008-2009. The Project Area increased in total value by $41,717,200 (2.96%) for Fiscal Year 2009-2010.

More specifically, there were two property owners in the Project Area whose total value increased by $28,178,529 for Fiscal Year 2009-2010, of which $21,828,000 was due to a change in ownership and $6,350,529 was due to new construction. There was also one property owner in the Project Area for which total value decreased by $1,203,327 for Fiscal Year 2009-2010 due to an assessment appeal.

TABLE 11
LARGEST CHANGES IN SECURED ASSESSED VALUE
(TOP TEN INCREASES AND DECREASES)

Current Assessee	Reason for Change in Value	Parcels	FY 2008-2009 Secured Net Assessed Value [1]	FY 2009-2010 Secured Net Assessed Value [1]	Difference	Percent Change
Top Ten Parcels that Increased in Value						
PS Ivanhoe LLC [2]	Ownership Change	1	$0	$21,828,000	$21,828,000	0.00%
Constellation Property Group LP	New Construction	1	7,526,469	13,876,998	6,350,529	84.38%
University of San Diego	Ownership Change	6	6,663,757	9,780,871	3,117,114	46.78%
Cohen Family Trust 02-03-83	Ownership Change	1	1,167,012	3,550,000	2,382,988	204.20%
AEG Management SD LLC	Ownership Change	1	2,502,714	4,465,552	1,962,838	78.43%
Celiac Partners LLC	Ownership Change	1	1,399,563	3,000,000	1,600,437	114.35%
Individual Owner	Ownership Change	3	562,263	2,101,200	1,538,937	273.70%
Osprey Properties	Ownership Change	2	298,797	1,836,000	1,537,203	514.46%
801 Rossi LLC	Ownership Change	1	2,155,000	3,641,400	1,486,400	68.97%
Metropolitan Life Insurance Co	New Construction	2	408,000	1,789,000	1,381,000	338.48%
Subtotal		*19*	*22,683,575*	*65,869,021*	*43,185,446*	*190.38%*
Top Ten Parcels that Decreased in Value						
Hertz Corp	Assessment Appeal	1	13,057,020	11,853,693	(1,203,327)	-9.22%
Greengrass Trust 06-04-08	Proposition 8 Reduction	1	663,000	60,891	(602,109)	-90.82%
Individual Homeowner	Proposition 8 Reduction	1	1,558,281	1,093,000	(465,281)	-29.86%
Vietnam Veterans of San Diego, Inc.	Increase in Exemptions	1	454,620	0	(454,620)	-100.00%
Kiley LLC	Ownership Change	1	2,340,900	1,900,000	(440,900)	-18.83%
Individual Homeowner	Ownership Change	1	614,876	230,000	(384,876)	-62.59%
Rap Holdings LLC	Proposition 8 Reduction	1	3,071,400	2,700,000	(371,400)	-12.09%
San Diego Commercial Holdings LLC	Ownership Change	1	1,526,227	1,155,000	(371,227)	-24.32%
Kiser Milan & Diana Revocable Trust	Proposition 8 Reduction	1	1,591,811	1,250,000	(341,811)	-21.47%
Individual Homeowner	Proposition 8 Reduction	1	1,033,400	693,000	(340,400)	-32.94%
Subtotal		*10*	*25,911,535*	*20,935,584*	*(4,975,951)*	*-19.20%*
All Other Parcels	NA	2,008	1,359,262,361	1,362,770,066	3,507,705	0.26%
Total		**2,037**	**1,407,857,471**	**1,449,574,671**	**41,717,200**	**2.96%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] PS Ivanhoe LLC is one of the top ten assessees. FY 2009-2010 value reflects change in ownership from the City of San Diego to PS Ivanhoe LLC.

TABLE 12
LARGEST CHANGES IN SECURED ASSESSED VALUE
(BY RESIDENTIAL AND NON-RESIDENTIAL CATEGORIES)

Current Assessee	Parcels	FY 2008-2009 Secured Net Assessed Value [1]	FY 2009-2010 Secured Net Assessed Value [1]	Difference	Percent Change
Residential					
Increase in Value (Greater Than 2%)	277	$79,733,711	$94,295,137	$14,561,426	18.26%
Increase in Value (Equal to 2%)	460	144,373,173	147,260,177	2,887,004	2.00%
Increase in Value (Less Than 2%)	12	2,305,102	2,334,169	29,067	1.26%
No change in Value [2]	34	8,952,000	8,952,000	0	0.00%
Decrease in Value from Prop 8 Reduction Appeals [3]	1	470,543	363,000	(107,543)	-22.86%
Decrease in Value from Automatic Prop 8 Reductions [4]	234	106,611,818	87,670,892	(18,940,926)	-17.77%
Decrease in Value from Other Assessment Appeals	0	0	0	0	0.00%
Decrease in Value (Increased Exemption)	0	0	0	0	0.00%
Decrease in Value (Ownership Changed) [7]	29	14,883,836	10,547,900	(4,335,936)	-29.13%
Subtotal	1,047	$357,330,183	$351,423,275	(5,906,908)	-1.65%
Non-Residential					
Increase in Value (Greater Than 2%)	50	57,801,960	84,601,635	26,799,675	46.36%
Increase in Value (Equal to 2%)	863	828,909,459	867,395,819	38,486,360	4.64%
Increase in Value (Less Than 2%)	17	104,330,602	105,813,120	1,482,518	-8.07%
No change in Value [2]	33	4,101,327	4,101,327	0	0.00%
Decrease in Value from Prop 8 Reduction Appeals	0	0	0	0	0.00%
Decrease in Value from Automatic Prop 8 Reductions [4]	14	16,016,601	13,504,445	(2,512,156)	-15.68%
Decrease in Value from Other Assessment Appeals [5]	3	16,244,587	14,933,952	(1,310,635)	-8.07%
Decrease in Value (Increased Exemption) [6]	1	454,620	0	(454,620)	-100.00%
Decrease in Value (Ownership Changed)	7	8,270,582	6,747,768	(1,522,814)	-18.41%
Subtotal	988	1,036,129,738	1,097,098,066	60,968,328	5.88%
New Residential Parcels [8]	2	NA	1,053,330	1,053,330	NA
New Non-Residential Parcels [8]	0	NA	0	0	NA
Superceded Parcels [9]	2	14,397,550	NA	(14,397,550)	NA
Total	**2,037**	**$1,407,857,471**	**$1,449,574,671**	**41,717,200**	**2.96%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] A total of 3 residential and 30 non-residential parcels had a Net Assessed Value of $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.
[3] Values based on the final Assessor's roll for each fiscal year. The reductions were a result of Proposition 8 appeals by property owners allowing a temporary reduction in assessed value based on decreasing market value.
[4] Based on discussions with the County appraiser, the reductions were due to automatic Proposition 8 reductions allowing a temporary reduction in assessed value based on decreasing market value.
[5] Values were reduced following successful assessment appeals by the property owners. The assessment appeals were not a result of a Proposition 8 temporary reduction in assessed value.
[6] Based on data from County Assessor, the decrease in value from FY 2008-2009 to FY 2009-2010 was due to an increase in the exemptions.
[7] Values based on the closed Assessor's roll for each fiscal year. Following the change in ownership, the County revised the assessed value of the parcels to reflect the market value.
[8] New parcels for FY 2009-2010 as a result of parcel changes from the prior year.
[9] FY 2008-2009 assessor parcels that did not have matching FY 2009-2010 parcel numbers.

B. New Development

The table below summarizes new development that may increase assessed values within the Project Area in the future. For purposes of this analysis, however, we have conservatively assumed that there will not be any increase in assessed values for future years as a result of such new development within the Project Area.

Project	Description
Stella at Five Points	The proposed Stella at Five Points project is a $33 million for-sale condominium project with a total of 85 units, 14-one bedroom units and 74-two bedroom units. Thirteen units will be affordable to families earning no more than 100 percent of the area median income. As of May 10, 2010, the project was in bankruptcy and will be sold at auction. Current bank owned plans may include changing the use to rentals. Projected completion date: 2010
Point Loma Townhomes	The proposed Point Loma Townhomes project, a $15 million mixed-use project. As proposed, the project will include a total of 47-units; 30-3 bedroom/15-2 bedroom and 2-1 bedroom units. Developers are also including 23 boat slips, underground tandem parking and 3,700 square feet of retail. Estimated completion date: 2012
Bayview Plaza	C.W. Clark has proposed a $33 million, 84,000 square feet commercial development at the corner of Clairemont Drive and Morena Boulevard. Estimated completion date: 2011
Point Plaza	Brian Rucker has proposed a $10 million, mixed-use development at the corner of Voltaire and Las Lomas Street. The proposed project will have 24 rental units including 2 affordable units and 1,260 SF commercial. Plans are currently being processed by the City. Estimated completion date: 2012

C. Tax Increment Projections

Table 13 summarizes the Fiscal Year 2009-2010 assessed values and details how the net tax increment is calculated. Exhibit A projects the tax increment to be generated by the Project Area through Fiscal Year 2043-2044. DTA has estimated the future tax increment based on the Project Area assessed valuation for Fiscal Year 2009-2010, utilizing the assumptions stated herein regarding current adjustments to the increment.

For purposes of this analysis, we are using the Fiscal Year 2009-2010 County Assessor's secured assessed value, which is lower than the Auditor's secured value,

to calculate the projected annual tax increment. As discussed in Section II.D above, Fiscal Year 2009-2010 includes a reduction in value for pending assessment appeals and assessment appeals which were resolved after the Fiscal Year 2009-2010 Assessor's Roll was finalized.

As discussed in Section II.D.2 above, the projections are based on a reduction in value of 1% for Fiscal Years 2010-2011 and 2011-2012. We have then assumed no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter. Other than the 1% and 2% annual increases as described above, we are not showing the increase in values back to base values for any value reductions. Actual reductions or increases in assessed value will vary.

The real property value described above is added to the value of personal property, which includes secured and unsecured personal property within the Project Area less unsecured exemptions for Fiscal Year 2009-2010. The value of personal property is assumed to remain constant throughout the subsequent years.

Lastly, the incremental value is the difference between the total value and the base year value, and the tax rate used in the calculation of gross revenue for Fiscal Year 2009-2010 is the actual tax rate. This is assumed to decrease in subsequent years. Unitary revenue and administrative charges result in adjustments to the net tax increment, for which the assumptions were discussed previously. The set aside for low and moderate income housing is shown as a separate line item.

TABLE 13
FY 2009-2010 TAX INCREMENT REVENUE ESTIMATE

	FY 2009-2010 Taxable Value	Base Taxable Value	Incremental Taxable Value
Secured Values [1]			
Land	$780,113,852	$309,396,748	$470,717,104
Improvement	736,200,180	341,745,458	394,454,722
Personal Property	7,720,624	16,480,762	(8,760,138)
Gross Value	1,524,034,656	667,622,968	856,411,688
Less Exemptions	(74,459,985)	(63,278,307)	(11,181,678)
Total Secured	**1,449,574,671**	**604,344,661**	**845,230,010**
Unsecured Values [2]			
Land	0	0	0
Improvement	33,082,381	22,651,109	10,431,272
Personal Property	87,956,297	53,711,922	34,244,375
Gross Value	121,038,678	76,363,031	44,675,647
Less Exemptions	(14,997,838)	0	(14,997,838)
Total Unsecured	**106,040,840**	**76,363,031**	**29,677,809**
Total Secured and Unsecured	**1,555,615,511**	**680,707,692**	**874,907,819**

Estimated Valuation Adjustments		
Assessment Appeal Valuation Reductions:		(30,652,364) [3]
Adjusted Incremental Secured and Unsecured		844,255,455
Gross Increment Revenue @	1.00930% [4]	8,521,070
Unitary Revenue [5]		18,029
Supplemental Roll [6]		0
Offsets to Gross Estimated Revenue		
Administrative Expenses [7]		(85,211)
Net Tax Increment Revenue		**8,453,888**
Low/Moderate Income Housing Set-Aside Revenue		(1,690,778)
Housing Tax Increment Revenue		**1,690,778**

[1] Assessed values provided by the County Assessor as of 1/1/09.
[2] Based on information provided by the County of San Diego Auditor/Controller report "Val File-04 PSVVP70@" as of 1/1/09.
[3] Based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Actual reduction based on appeals will vary.
[4] For purposes of this analysis we are using the FY 2009-2010 rate for TRA 008-256. Please note that TRA 008-987 has a total net value of only $212,010.
[5] Based on information for FY 2008-2009 provided by the County of San Diego Auditor/Controller.
[6] For purposes of this analysis, we have conservatively assumed that the supplemental roll will not add additional revenue.
[7] Estimated at 1.00% of the gross revenue for the Project Area.

D. LIMITATIONS

This Report contains a projection of tax increment revenues to be received by the Agency. The report is based on estimates, assumptions and other information provided by the City and developed from DTA's research and telephone discussions with County staff, as well as our understanding of County tax procedures. The sources of information and basis of the estimates are stated herein. While we believe that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. In addition, since the analyses contained herein are based on legislation and County procedures, which are inherently subject to uncertainty and variation depending on evolving events and policy changes, DTA cannot represent that the results presented herein will be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved will vary from the projections.

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NORTH BAY
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:			**2009 2010**	**2010 2011**	**2011 2012**	**2012 2013**	**2013 2014**	**2014 2015**	**2015 2016**	**2016 2017**	**2017 2018**
Real Property [1]			$1,474,936,428	$1,444,284,064	$1,429,841,223	$1,415,542,811	$1,415,542,811	$1,429,698,239	$1,443,995,222	$1,458,435,174	$1,473,019,526
Estimated Real Property Value Increase [2]			0	0	0	0	14,155,428	14,296,982	14,439,952	14,584,352	14,730,195
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]			(30,652,364)	(14,442,841)	(14,298,412)	0	0	0	0	0	0
Total Real Property			1,444,284,064	1,429,841,223	1,415,542,811	1,415,542,811	1,429,698,239	1,443,995,222	1,458,435,174	1,473,019,526	1,487,749,721
Total Other Property [4]			80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083
Total Value			**1,524,963,147**	**1,510,520,306**	**1,496,221,894**	**1,496,221,894**	**1,510,377,322**	**1,524,674,305**	**1,539,114,257**	**1,553,698,609**	**1,568,428,804**
Incremental Value Over Base of:	$680,707,692	[5]	844,255,455	829,812,614	815,514,202	815,514,202	829,669,630	843,966,613	858,406,565	872,990,917	887,721,112
Gross Revenue [6]			8,521,070	8,298,126	8,155,142	8,155,142	8,296,696	8,439,666	8,584,066	8,729,909	8,877,211
Unitary Revenue			18,029	18,029	18,029	18,029	18,029	18,029	18,029	18,029	18,029
Adjustments to Gross Revenue											
Supplemental Roll			0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [7]			(85,211)	(82,981)	(81,551)	(81,551)	(82,967)	(84,397)	(85,841)	(87,299)	(88,772)
Net Tax Increment Revenue			**8,453,888**	**8,233,173**	**8,091,619**	**8,091,619**	**8,231,758**	**8,373,298**	**8,516,254**	**8,660,639**	**8,806,468**
Low/Moderate Income Housing Set-Aside Revenue			(1,690,778)	(1,646,635)	(1,618,324)	(1,618,324)	(1,646,352)	(1,674,660)	(1,703,251)	(1,732,128)	(1,761,294)
Housing Tax Increment Revenue			**1,690,778**	**1,646,635**	**1,618,324**	**1,618,324**	**1,646,352**	**1,674,660**	**1,703,251**	**1,732,128**	**1,761,294**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 1% for FY 2010-2011 and 2011-2012.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] Base value was adjusted from $683,472,024 to $689,090,229 in FY 2002-2003, to $685,571,701 in FY 2006-2007, and to $680,707,692 in FY 2007-2008.

[6] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[7] Estimated at 1.00 percent of gross revenue for the Project Area.

NORTH BAY
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:			**2018 2019**	**2019 2020**	**2020 2021**	**2021 2022**	**2022 2023**	**2023 2024**	**2024 2025**	**2025 2026**	**2026 2027**
Real Property [1]			$1,487,749,721	$1,502,627,218	$1,532,679,762	$1,563,333,358	$1,594,600,025	$1,626,492,025	$1,659,021,866	$1,692,202,303	$1,726,046,349
Estimated Real Property Value Increase [2]			14,877,497	30,052,544	30,653,595	31,266,667	31,892,000	32,529,841	33,180,437	33,844,046	34,520,927
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]			0	0	0	0	0	0	0	0	0
Total Real Property			1,502,627,218	1,532,679,762	1,563,333,358	1,594,600,025	1,626,492,025	1,659,021,866	1,692,202,303	1,726,046,349	1,760,567,276
Total Other Property [4]			80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083
Total Value			**1,583,306,301**	**1,613,358,845**	**1,644,012,441**	**1,675,279,108**	**1,707,171,108**	**1,739,700,949**	**1,772,881,386**	**1,806,725,432**	**1,841,246,359**
Incremental Value Over Base of:	$680,707,692	[5]	902,598,609	932,651,153	963,304,749	994,571,416	1,026,463,416	1,058,993,257	1,092,173,694	1,126,017,740	1,160,538,667
Gross Revenue [6]			9,025,986	9,326,512	9,633,047	9,945,714	10,264,634	10,589,933	10,921,737	11,260,177	11,605,387
Unitary Revenue			18,029	18,029	18,029	18,029	18,029	18,029	18,029	18,029	18,029
Adjustments to Gross Revenue											
Supplemental Roll			0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [7]			(90,260)	(93,265)	(96,330)	(99,457)	(102,646)	(105,899)	(109,217)	(112,602)	(116,054)
Net Tax Increment Revenue			**8,953,755**	**9,251,275**	**9,554,746**	**9,864,286**	**10,180,016**	**10,502,062**	**10,830,548**	**11,165,604**	**11,507,361**
Low/Moderate Income Housing Set-Aside Revenue			(1,790,751)	(1,850,255)	(1,910,949)	(1,972,857)	(2,036,003)	(2,100,412)	(2,166,110)	(2,233,121)	(2,301,472)
Housing Tax Increment Revenue			**1,790,751**	**1,850,255**	**1,910,949**	**1,972,857**	**2,036,003**	**2,100,412**	**2,166,110**	**2,233,121**	**2,301,472**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 1% for FY 2010-2011 and 2011-2012.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] Base value was adjusted from $683,472,024 to $689,090,229 in FY 2002-2003, to $685,571,701 in FY 2006-2007, and to $680,707,692 in FY 2007-2008.

[6] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[7] Estimated at 1.00 percent of gross revenue for the Project Area.

NORTH BAY
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

			YEAR 30								
			2027	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**
Fiscal Year Ending:			**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Real Property [1]			$1,760,567,276	$1,795,778,622	$1,831,694,194	$1,868,328,078	$1,905,694,640	$1,943,808,532	$1,982,684,703	$2,022,338,397	$2,062,785,165
Estimated Real Property Value Increase [2]			35,211,346	35,915,572	36,633,884	37,366,562	38,113,893	38,876,171	39,653,694	40,446,768	41,255,703
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]			0	0	0	0	0	0	0	0	0
Total Real Property			1,795,778,622	1,831,694,194	1,868,328,078	1,905,694,640	1,943,808,532	1,982,684,703	2,022,338,397	2,062,785,165	2,104,040,868
Total Other Property [4]			80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083
Total Value			**1,876,457,705**	**1,912,373,277**	**1,949,007,161**	**1,986,373,723**	**2,024,487,615**	**2,063,363,786**	**2,103,017,480**	**2,143,464,248**	**2,184,719,951**
Incremental Value Over Base of:	$680,707,692	[5]	1,195,750,013	1,231,665,585	1,268,299,469	1,305,666,031	1,343,779,923	1,382,656,094	1,422,309,788	1,462,756,556	1,504,012,259
Gross Revenue [6]			11,957,500	12,316,656	12,682,995	13,056,660	13,437,799	13,826,561	14,223,098	14,627,566	15,040,123
Unitary Revenue			18,029	18,029	18,029	18,029	18,029	18,029	18,029	18,029	18,029
Adjustments to Gross Revenue											
Supplemental Roll			0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [7]			(119,575)	(123,167)	(126,830)	(130,567)	(134,378)	(138,266)	(142,231)	(146,276)	(150,401)
Net Tax Increment Revenue			**11,855,954**	**12,211,518**	**12,574,193**	**12,944,122**	**13,321,450**	**13,706,324**	**14,098,895**	**14,499,318**	**14,907,750**
Low/Moderate Income Housing Set-Aside Revenue			(2,371,191)	(2,442,304)	(2,514,839)	(2,588,824)	(2,664,290)	(2,741,265)	(2,819,779)	(2,899,864)	(2,981,550)
Housing Tax Increment Revenue			**2,371,191**	**2,442,304**	**2,514,839**	**2,588,824**	**2,664,290**	**2,741,265**	**2,819,779**	**2,899,864**	**2,981,550**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 1% for FY 2010-2011 and 2011-2012.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] Base value was adjusted from $683,472,024 to $689,090,229 in FY 2002-2003, to $685,571,701 in FY 2006-2007, and to $680,707,692 in FY 2007-2008.

[6] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[7] Estimated at 1.00 percent of gross revenue for the Project Area.

NORTH BAY
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

									YEAR 46
		2036	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Fiscal Year Ending:		**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**	**2044**
Real Property [1]		$2,104,040,868	$2,146,121,686	$2,189,044,119	$2,232,825,002	$2,277,481,502	$2,323,031,132	$2,369,491,754	$2,416,881,590
Estimated Real Property Value Increase [2]		42,080,817	42,922,434	43,780,882	44,656,500	45,549,630	46,460,623	47,389,835	48,337,632
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]		0	0	0	0	0	0	0	0
Total Real Property		2,146,121,686	2,189,044,119	2,232,825,002	2,277,481,502	2,323,031,132	2,369,491,754	2,416,881,590	2,465,219,221
Total Other Property [4]		80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083	80,679,083
Total Value		**2,226,800,769**	**2,269,723,202**	**2,313,504,085**	**2,358,160,585**	**2,403,710,215**	**2,450,170,837**	**2,497,560,673**	**2,545,898,304**
Incremental Value Over Base of:	$680,707,692 [5]	1,546,093,077	1,589,015,510	1,632,796,393	1,677,452,893	1,723,002,523	1,769,463,145	1,816,852,981	1,865,190,612
Gross Revenue [6]		15,460,931	15,890,155	16,327,964	16,774,529	17,230,025	17,694,631	18,168,530	18,651,906
Unitary Revenue		18,029	18,029	18,029	18,029	18,029	18,029	18,029	18,029
Adjustments to Gross Revenue									
Supplemental Roll		0	0	0	0	0	0	0	0
Property Tax Administrative Fee [7]		(154,609)	(158,902)	(163,280)	(167,745)	(172,300)	(176,946)	(181,685)	(186,519)
Net Tax Increment Revenue		**15,324,350**	**15,749,282**	**16,182,713**	**16,624,812**	**17,075,754**	**17,535,714**	**18,004,873**	**18,483,416**
Low/Moderate Income Housing Set-Aside Revenue		(3,064,870)	(3,149,856)	(3,236,543)	(3,324,962)	(3,415,151)	(3,507,143)	(3,600,975)	(3,696,683)
Housing Tax Increment Revenue		**3,064,870**	**3,149,856**	**3,236,543**	**3,324,962**	**3,415,151**	**3,507,143**	**3,600,975**	**3,696,683**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 1% for FY 2010-2011 and 2011-2012.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] Base value was adjusted from $683,472,024 to $689,090,229 in FY 2002-2003, to $685,571,701 in FY 2006-2007, and to $680,707,692 in FY 2007-2008.

[6] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[7] Estimated at 1.00 percent of gross revenue for the Project Area.

EXHIBIT F

NORTH PARK

FISCAL CONSULTANT REPORT
NORTH PARK REDEVELOPMENT PROJECT AREA

Prepared for

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
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A. TAX INCREMENT REVENUE PROJECTION

I. INTRODUCTION

The Redevelopment Agency of the City of San Diego (the "Agency") anticipates issuing Tax Allocation Bonds in the summer of 2010 to be secured by housing tax increment revenues from the North Park Redevelopment Project Area (the "Project Area"), as explained in section I.C below. David Taussig & Associates, Inc. ("DTA") has prepared this Fiscal Consultant Report (the "Report") to project housing tax increment revenues generated by the increase in assessed value of real and personal property within the Project Area. In addition, the Report describes the methodology and assumptions utilized in these projections, evaluating the historic and current taxable values, the projected values of new construction, the effects of pending assessment appeals, and the property tax collection and allocation procedures of the County of San Diego (the "County").

A. NORTH PARK PROJECT AREA BACKGROUND

The Ordinance approving the Redevelopment Plan (the "Plan") for the Project Area was adopted by the City Council of the City of San Diego on March 4, 1997 (accomplished by Ordinance No. 0-18386). The main purpose of establishing the Redevelopment Plan was to promote economic growth enhancement, infrastructure improvement, expansion of employment and recreational opportunities, preservation and expansion of housing stock, and retention and expansion of existing neighborhood supporting businesses.

The Plan will remain in effect until thirty (30) years from the date of adoption. Pursuant to subdivision (a)(1) of Section 33333.2 of the Health and Safety Code, the time limit on the establishment of loans, advances, and bonded indebtedness to be funded through tax increment revenues is twenty (20) years from the adoption of the Plan. Also, total outstanding bonded indebtedness of the Project Area to be repaid by the allocation of taxes to the Agency is not to exceed $53 million at any point in time. In accordance with subdivision (a)(3) of Section 33333.2 of the Health and Safety Code, the time limit for the receipt of tax increment revenues is forty-five (45) years. Please note that the Agency and the City of San Diego adopted Ordinance 19515 in July 2006 extending (i) the Plan effectiveness deadline to 2028 and (ii) tax increment receipt deadline by an additional year.

Ordinance Adopted	Tax Increment Collection Limit	Amount of Tax Increment Collected to Date	Maximum Amount of Bonded Indebtedness	Maximum Time Allowed to Incur Bonded Indebtedness
March 4, 1997 [1]	46 Years [2]	$37,608,847 [3]	$53 Million	20 Years from Adoption of Plan

[1] The Project Area is a post AB 1290 project area as discussed in Section III.F below.
[2] The time limit for the repayment of indebtedness is also 46 years.
[3] Total receipts for Fiscal Year 1999-2000 through 2008-2009 as shown in Table 10.

The Project Area is administered by the City Redevelopment Division of the Community and Economic Development Department. The Project Area encompasses 555 acres of land, located 5 miles from downtown San Diego and next to Balboa Park. Land uses in the Project Area include commercial, residential, retail, and light manufacturing. Historic preservation and enhancement of single family homes is key. The Project Area is bordered by Interstate 805 to the east, Park Boulevard to the west, Adams Avenue to the north, and Upas Street to the south.

B. Comprehensive Affordable Housing Strategy Collaborative

In 2006 the Agency approved the pooling of the housing set-aside funds from the Redevelopment Division's eleven project areas for an Affordable Housing Opportunity Program in order to provide greater flexibility in financing affordable housing projects throughout the City of San Diego. In July 2007, the Agency approved four separate non-revolving housing lines of credit with San Diego National Bank in an aggregate amount of $34 million secured by the housing set-aside funds from four project areas: City Heights ($11 million); Naval Training Center ($7.1 million); North Bay ($8.6 million); and North Park ($7.3 million). Of the $34 million, $29 million was allocated to the Affordable Housing Opportunity Program, including North Park's $7.3 million. To date, the Affordable Housing Opportunity Program has provided approximately $26 million for affordable housing projects in the North Park, San Ysidro, Barrio Logan, Crossroads, and City Heights project areas.

Housing proceeds from the Series 2010 Bonds not needed for housing programs or developer repayments in the Project Area will be available for projects in other project areas through the Comprehensive Affordable Housing Collaborative Program.

C. Proposed Series 2010 Bonds

The Agency anticipates a pooled taxable series of tax allocation bonds in the summer of 2010 secured by housing tax increment revenues from the Project Area and the City Heights, Crossroads, Naval Training Center, North Bay, and San Ysidro project areas.

The proceeds of the pooled housing bonds are expected to be used for repaying bank lines of credit and to finance a portion of the costs for low and moderate income affordable housing projects within or of benefit to the project areas listed above.

D. Current Uses of Tax Increment Revenues

The following items represent current uses of annual net tax increment revenues after payments are made for AB 1290 pass-throughs.

1. EXISTING NORTH PARK TAX ALLOCATION BONDS

In 2000 and 2003, the Agency issued tax allocation bonds for the Project Area in the amounts of $7,000,000 and $12,505,000, respectively. The current amount outstanding for the Series 2000 bonds is $5,890,000. The Series 2003 bonds were further bifurcated into Series 2003A (taxable) and Series 2003B (tax-exempt) bonds. The current amount outstanding for the Series 2003A and 2003B bonds is $5,845,000 and $5,360,000, respectively. The Agency used approximately 25% of the proceeds of the Series 2000 bonds for housing purposes, and the Agency used approximately 41% of the proceeds of the Series 2003A bonds for housing purposes. None of the proceeds of the Series 2003B bonds were used for housing purposes. Under redevelopment law, the Agency may pay that portion of the scheduled debt service on the Series 2000 bonds and Series 2003A bonds attributable to the proceeds of such bonds used for housing purposes (or a total of 24% of the combined debt service on the outstanding bonds) with housing set-aside funds. The Agency currently pays approximately 20% of the combined debt service on the outstanding bonds with housing set-aside funds.

In 2009, the Agency issued tax allocation bonds for the Project Area in the amount of $13,930,000. The current amount outstanding for the Series 2009 bonds remains at $13,930,000 with the first principal payment due in September 2021. The Series 2009 Bonds are to be paid from the non-housing tax increment revenues from the Project Area.

Housing set-aside funds for the Project Area will be used to pay the housing portion of the existing Series 2000 and 2003 tax allocation bonds (up to approximately 24% of the combined debt service on such bonds) prior to the payment of debt service on the proposed Series 2010 Bonds.

2. AGENCY DEBT TO CITY

a. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

In 2008, the Office of Inspector General ("OIG") of the U.S. Department of Housing and Urban Development ("HUD") audited the City's Community Development Block Grant ("CDBG") program and issued an audit report to HUD which recommended that the City initiate repayment plans for CDBG loans to the Agency. City and Agency staff worked with HUD representatives over the past year to develop a plan to address the OIG's findings and have agreed upon a 10 year repayment schedule for the CDBG program. A February 2010 report to the Agency Board and the City Council recommended that staff be directed to prepare a CDBG Loan Repayment Agreement between the Agency and the City for future Board and City Council approval. It was also recommended that the terms of the proposed

Repayment Agreement include the following provisions, among others: 1) that all repayments made by the Agency pursuant to the Repayment Agreement and all obligations and any indebtedness of the Agency to the City created by the Repayment Agreement shall be subordinate to any pledge of tax increment to bond holders of any tax allocation bonds which have been or may be issued by the Agency; and 2) that repayments by the Agency may be made using tax increment funds, land proceeds, or other revenues of the Agency.

The total amount of outstanding CDBG loans for the Project Area as of June 30, 2009 is approximately $2.83 million, of which approximately $1.54 million is principal. Loans from the City were provided in the years preceding and immediately following the adoption of the Project Area, to pay the costs associated with adoption and administration of the Project Area until a sufficient stream of tax increment revenue was generated.

b. NON-CDBG DEBT

Non-CDBG debt includes loans from the City's sales tax, capital outlay, TransNet (transportation), and general funds. The City utilized sales tax funds to capitalize initial project area activities such as land acquisition, public improvements and administrative costs in the Project Area and Crossroads and San Ysidro project areas. Tax increment growth replaced the need for such capitalization. The City's funding of these project areas was recorded as interest bearing loans to the Agency.

The Project Area has approximately $162,000 in outstanding non-CDBG related debt to the City as of June 30, 2009, of which approximately $149,000 million is principal. Loans from the City were provided in the years preceding and immediately following the adoption of the Project Area, to pay the costs associated with adoption and administration of the Project Area until a sufficient stream of tax increment revenue was generated.

II. PROJECT TAXABLE VALUES

The County of San Diego Assessor (the "Assessor") determines the assessed valuations of real and personal property in the Project Area. The secured roll is the County Assessor's roll, which contains real property for which ad valorem taxes are secured by a lien on the property, and the unsecured roll contains business personal property, for which ad valorem taxes are not secured by a lien. The County assigns values to each Assessor's Parcel, which is listed in turn by an Assessor's Parcel Number ("APN"). The County Assessor releases the equalized County Assessor's roll on or prior to the first of July of each Fiscal Year. At this time, the Auditor Controller compiles the tax roll based on this information. The Auditor Controller assigns each APN to a Tax Rate Area ("TRA"), which is a geographic area containing Assessor's Parcels with the same tax rates. The Project Area includes one TRA: 08-255. The Auditor Controller is responsible for combining the assessed values provided by the Assessor for all APNs within the Project Area and releasing a report each July showing the secured and unsecured values for the current and base year as well as the incremental value for the entire Project Area.

Based on discussions with the County Auditor and County Assessor, there are discrepancies in the total net assessed values provided by each agency due to procedural differences and timing of obtaining the data. Please note that Table 1 is based on values provided by the County Auditor. Since the County Assessor's secured values are lower than the Auditor's values, we have conservatively used the lower secured values in Tables 2, 3, 11, and 12 and the tax increment projections in Tables 13 and Exhibit A. The secured assessed values shown in Tables 13 and Exhibit A are based on the County Assessor assessed values and the unsecured assessed values shown in these tables are based on the County Auditor values. Please note that the Fiscal Year 2009-2010 assessed values shown herein are dated as of January 1, 2009.

A. HISTORIC TAXABLE VALUES

DTA researched historic secured and unsecured taxable values in the Project Area for Fiscal Years 1998-1999 through 2009-2010. These values, which are based on information provided by the County of San Diego Auditor Controller, are shown in Table 1. As listed in the table, the Fiscal Year 1998-1999 base year value for the Project Area is approximately $424 million in Fiscal Year 2009-2010.

As shown in Table 1 below, assessed values for property located within the Project Area experienced double-digit percentage increases from Fiscal Year 2003-2004 through Fiscal Year 2007-2008. Much of this annual increase can be attributed to value changes due to changes in ownership and new development which resulted in the construction of approximately 458 new residential units since Fiscal Year 1998-1999.

In Fiscal Year 2009-2010, property located within the Project Area experienced a decline in value of approximately 2.5% from Fiscal Year 2008-2009. Most of the

reduction in value was due to assessment appeals and Proposition 8 reductions made by the County Assessor. Please see Section II.D.2 below for more information regarding the decline in value for Fiscal Year 2009-2010.

TABLE 1
HISTORICAL TAX INCREMENT VALUES [2]

	FY 1998-1999 Base Year Value	FY 1999-2000 Taxable Value	FY 2000-2001 Taxable Value	FY 2001-2002 Taxable Value	FY 2002-2003 Taxable Value	FY 2003-2004 Taxable Value	FY 2004-2005 Taxable Value	FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	Year 10 FY 2008-2009 Taxable Value	FY 2009-2010 Taxable Value
Secured Values [1]												
Land	$196,484,726	$206,156,479	$218,285,289	$238,556,524	$259,396,504	$289,602,435	$328,786,859	$416,522,646	$488,002,024	$583,794,621	$627,803,657	$605,817,982
Improvement	222,640,198	246,403,657	266,157,900	288,113,383	311,674,761	339,121,972	377,598,097	411,121,443	464,133,877	543,836,646	549,805,774	543,408,736
Personal Property	2,523,329	1,311,398	1,845,740	1,498,222	139,969	129,455	1,034,585	1,345,318	1,263,082	2,284,650	2,134,494	2,083,547
Gross Value	421,648,253	453,871,534	486,288,929	528,168,129	571,211,234	628,853,862	707,419,541	828,989,407	953,398,983	1,129,915,917	1,179,743,925	1,151,310,265
Less Exemptions	(8,911,306)	(8,912,365)	(9,775,238)	(9,690,960)	(10,735,089)	(11,674,496)	(12,535,963)	(13,282,156)	(14,545,386)	(15,104,908)	(28,172,859)	(30,893,629)
Total Secured	**412,736,947**	**444,959,169**	**476,513,691**	**518,477,169**	**560,476,145**	**617,179,366**	**694,883,578**	**815,707,251**	**938,853,597**	**1,114,811,009**	**1,151,571,066**	**1,120,416,636**
Unsecured Values [1]												
Land	0	0	0	0	0	0	0	0	0	0	0	0
Improvement	4,348,700	6,058,451	5,994,277	5,261,490	5,454,610	7,915,990	5,973,344	5,822,960	5,848,373	5,798,817	6,114,373	7,865,765
Personal Property	6,465,383	9,764,052	10,219,519	10,093,737	10,325,188	12,351,410	11,613,698	11,144,665	12,097,153	12,972,017	12,338,763	12,394,902
Gross Value	10,814,083	15,822,503	16,213,796	15,355,227	15,779,798	20,267,400	17,587,042	16,967,625	17,945,526	18,770,834	18,453,136	20,260,667
Less Exemptions	0	0	(304,679)	(445,838)	(114,762)	(675,494)	(701,121)	(655,788)	(656,536)	(1,610,655)	(1,294,381)	(1,192,506)
Total Unsecured	**10,814,083**	**15,822,503**	**15,909,117**	**14,909,389**	**15,665,036**	**19,591,906**	**16,885,921**	**16,311,837**	**17,288,990**	**17,160,179**	**17,158,755**	**19,068,161**
Total Secured and Unsecured	**423,551,030**	**460,781,672**	**492,422,808**	**533,386,558**	**576,141,181**	**636,771,272**	**711,769,499**	**832,019,088**	**956,142,587**	**1,131,971,188**	**1,168,729,821**	**1,139,484,797**
Percentage Change in Total Value	NA	8.79%	6.87%	8.32%	8.02%	10.52%	11.78%	16.89%	14.92%	18.39%	3.25%	-2.50%
Base Year Value	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**
Incremental Value	**0**	**37,230,642**	**68,871,778**	**109,835,528**	**152,590,151**	**213,220,242**	**288,218,469**	**408,468,058**	**532,591,557**	**708,420,158**	**745,178,791**	**715,933,767**
Percentage Change in Incremental Value	NA	NA	84.99%	59.48%	38.93%	39.73%	35.17%	41.72%	30.39%	33.01%	5.19%	-3.92%

[1] Based on information provided by the County of San Diego Auditor/Controller as indicated in "Report Val File-04 PSVVP70@".
[2] Assessed values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/08 for FY 2008-2009).

Note: Table 1 is based on values provided by the Auditor while Tables 2, 3, 11, and 12 are based on values provided by the County Assessor. Based on discussions with the County Auditor/Controller and County Assessor, discrepancies in the total net assessed values are due to procedural differences and timing in obtaining exemption data.

B. Values by Land Use Type

The Project Area includes a combination of land uses based on an analysis of the Fiscal Year 2009-2010 Assessor's roll. This allocation indicates that 73.81% of the Project Area valuation is attributable to residential land uses (including 62.49% of multifamily residential and condominium land use, and 11.23% of single family residential land use), 24.49% of the value is attributable to commercial property (of which 4.99% is retail and 15.51% is office space), 0.61% is attributable to industrial property, and 1.09% of the value is attributable to institutional, recreation and miscellaneous property. The breakdown by land use type is shown in Table 2.

TABLE 2
FY 2009-2010 ASSESSED VALUE BY LAND USE

Land Use [1]	No. of Parcels [1]	Units	Secured Total Net Assessed Value [2]	Percent of Net Assessed Value
Residential Property (land use codes 07 through 19)				
Vacant Residential	15	0	$1,014,295	0.09%
Single Family Residential	556	557	$124,873,665	11.23%
Multi-Family Residential	818	4,951	$412,313,086	37.10%
Condominium	1,395	1,395	$282,222,203	25.39%
Miscellaneous	1	0	$126	0.00%
Subtotal	2,785	6,903	$820,423,375	73.81%
Commercial Property (land use codes 20 through 39)				
Office Space	378	NA	$172,425,234	15.51%
Retail	51	NA	$55,411,221	4.99%
Vacant Land	32	NA	$7,145,531	0.64%
Other Uses	54	NA	$37,248,727	3.35%
Subtotal	515	NA	$272,230,713	24.49%
Industrial Property (land use codes 40 through 49)	23	NA	$6,740,320	0.61%
Institutional Property (land use codes 70 through 79)	21	NA	$9,636,076	0.87%
Recreational Property (land use codes 80 through 84)	3	NA	$537,681	0.05%
Miscellaneous Use (land use codes 88 through 89 and 00)	12	NA	$1,909,471	0.17%
Total	**3,359**	**6,903**	**$1,111,477,636**	**100.00%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-2010 Assesssor's Roll.
[2] Assessed values provided by the County Assessor as of 1/1/09. Land use codes provided by the County Assessor.

Note: Table 1 is based on values provided by the Auditor while Tables 2, 3, 11, and 12 are based on values provided by the County Assessor. Based on discussions with the County Auditor/Controller and County Assessor, discrepancies in the total net assessed values are due to procedural differences and timing in obtaining exemption data.

C. Ten Major Assessees

Table 3 presents the top ten assessees from the Fiscal Year 2009-2010 equalized roll. The table shows the assessee name/owner, the land use of Assessor's Parcels under their ownership, the number of Assessor's Parcels under their ownership, the total net assessed valuation under their ownership, the percentage of the total Project Area assessed value represented by that owner's property, and the percentage of the total Project Area incremental value represented by the applicable owner's property.

As of May 10, 2010, all top ten assessees are current in the payment of their property taxes.

TABLE 3
FY 2009-2010 TOP TEN ASSESSEES

Owner	Land Use	No. of Parcels [1]	Total Secured Net Assessed Value [2]	Percent of Secured Total Net Value	Percent of Incremental Value
Hampstead Lafayette Hotel LLC	Hotel/Motel	1	$12,638,046	1.14%	1.77%
Arbor Terrace	Multi-Family Residential	8	$10,838,240	0.98%	1.51%
Rancho-Sunrise Hotel Corporation	Store Building, Garage/Parking Lot/Used Car Lot, Vacant Commercial	5	$10,632,884	0.96%	1.49%
American Stores Company LLC	Grocery/Drug Store	1	$8,383,543	0.75%	1.17%
Garfield Beach CVS LLC & 9141 San Diego CA-CM LP	Grocery/Drug Store	1	$8,219,160	0.74%	1.15%
Vons Companies Inc	Grocery/Drug Store	1	$6,778,108	0.61%	0.95%
McEwen Otay LLC & Wiesner Carol B Trust 02-21-95	Store Building	1	$6,614,700	0.60%	0.92%
NPW 2930 LLC	Store Building, Vacant Commercial	2	$6,431,100	0.58%	0.90%
Ventas Realty LP	Hospital	1	$5,873,539	0.53%	0.82%
Hamlin Family Trust 04-19-00	Multi-Family Residential	3	$5,804,940	0.52%	0.81%
Grand Total	**NA**	**24**	**$82,214,260**	**7.40%**	**11.48%**

SECURED TOTAL NET ASSESSED VALUE OF TOP 5 OWNERS:	**$50,711,873**
SECURED TOTAL NET ASSESSED VALUE OF TOP 10 OWNERS:	**$82,214,260**
SECURED TOTAL NET ASSESSED VALUE:	**$1,111,477,636**
TOTAL TAX INCREMENT VALUE:	**$715,933,767**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL SECURED NET VALUE:	**4.56%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL TAX INCREMENT VALUE:	**7.08%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL SECURED NET VALUE:	**7.40%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL TAX INCREMENT VALUE:	**11.48%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-2010 Assesssor's Roll.
[2] Assessed values provided by the County Assessor as of 1/1/09.

D. ASSESSMENT APPEALS

1. INTRODUCTION

If a property owner believes that the assessed value is inaccurate, an appeal may be filed with the County Assessment Appeals Board during a period between July and November of each fiscal year. A resolved appeal may produce a reduction in the original contested value and a refund to the property owner for overpaid property taxes. If the appeal is withdrawn, there is no change in the original value.

During a real estate market downturn, the market value of property may fall below the assessed value. Under State law, Proposition 8 allows property owners to apply for a temporary reduction in assessed value to match the current market value. As market values increase, the assessed property values will also increase up to the original assessed value (plus the annual California Consumer Price Index (the "CPI") increase, not to exceed 2%, as stipulated by Proposition 13).

In addition, the County Assessor's office allows property owners to file a Proposition 8 reduction request to their area appraiser between January and May of each fiscal year in order to reduce the assessed value of their property without having to file an assessment appeal with the County Assessment Appeals Board, otherwise known as an informal review. The County Assessor's office provides this option to property owners in order to limit the number of assessment appeals requiring hearings before the County Assessment Appeals Board. In order to calculate the reduced assessed value, the area appraiser will use several variables, including the date of construction, land use type, and recent comparable sales from the surrounding area.

A property owner may file multiple appeals for one parcel (for the same or different fiscal year), resulting in a parcel having several appeals being reviewed by the County Assessment Appeals Board at any time. Based on discussions with the County Assessment Appeals Board, in cases where multiple appeals have been filed on one parcel, typically one appeal will be resolved and subsequent appeals will not result in further reductions of value. Therefore, for purposes of this analysis, DTA has assumed only one appeal resulted in a reduction in value, and subsequent pending appeals will result in no change in value.

As of March 8, 2010, there were 162 unresolved appeals for 148 parcels within the Project Area. Tables 4 through 7 show recent historical assessment appeals in the Project Area, providing the following information: fiscal year in which appeal was received, land use, owner/applicant name, number of parcels being appealed by owner/applicant, whether or not appeal is for Proposition 8, number of pending appeals included in our analysis (when

multiple appeals have been filed on one parcel), the status of the appeal, the contested assessed value, the applicant's opinion of value, the proposed changed value for pending appeals or board approved value for resolved appeals, and the impact of the changed values.

2. APPEALS INFORMATION PROVIDED BY THE COUNTY

The County Assessor has provided the following information for inclusion in this Fiscal Consultant Report.

> For Fiscal Year 2009-2010, the County Assessor's office received approximately 32,000 applications County-wide for reductions of assessed values of real property during their "informal" review process (1/1/2009 – 5/30/2009) for such fiscal year. In addition to the 32,000 informal applications, the County Assessor's office was proactive and, on its own, reduced the assessed values for approximately 72,000 properties County-wide. Less than 3,500 of the 104,000 total reductions were for non-residential properties. When the County Assessor's office receives a large number of requests from a specific area, such as a condominium complex or subdivision of tract homes, the County Assessor may choose to review the entire complex or the entire tract.
>
> In addition to the 104,000 reductions discussed above, over 6,447 "formal" assessment appeal applications were received for Fiscal Year 2009-2010 during the County's formal review period (7/2/2009 – 11/30/2009) for such fiscal year. Because these appeals are going through the County's formal process, any reductions to value will take longer to appear on the tax roll than reductions made through the County's informal appeal process described above.
>
> For the Fiscal Year 2010-2011 roll, the County Assessor estimated a County-wide reduction in net assessed value of approximately 1.0% from the Fiscal Year 2009-2010 roll. This reduction is based on economic factors such as lower sales prices, reduced levels of new construction, Fiscal Year 2009-2010 appeals/reductions, as well as the 0.237% decline in the CPI which will be applied to all property subject to Proposition 13 (rather than the typical 2% annual increase). For Fiscal Year 2011-2012, the County Assessor estimates a County-wide reduction similar to Fiscal Year 2010-2011, based on historical trends.
>
> In order to estimate the magnitude of the Fiscal Year 2010-2011 change in value for the Project Area, DTA compared the Project Area reduction in value from Fiscal Year 2008-2009 to Fiscal Year 2009-2010 to the County-wide reduction in value for the same period. Based on discussions with the Agency, the Project Area is anticipated

to experience declines larger than the County-wide average due to project specific factors. Therefore, we have assumed a reduction in value of 3% and 2% for Fiscal Years 2010-2011 and 2011-2012, respectively. The chart below summarizes the reduction in assessed values and its impact on incremental value.

Fiscal Year	Approximate County-wide Change in Assessed Value [1]	Project Area Change in Assessed Value	Project Area Change in Incremental Value
Actual 2009-2010	-3%	-3%	-4%
Estimated 2010-2011	-1%	-3%	-5%
Estimated 2011-2012	-1%	-2%	-4%
[1] Based on information provided by the County of San Diego Assessor's Office.			

3. Historical Appeal Reductions

For purposes of the analysis, DTA researched the pending and recently resolved assessment appeals to determine how tax refunds as a result of appeals might reduce the tax increment received by the Agency from the Project Area.

For purposes of this analysis, DTA excluded any appeals which were withdrawn by the applicant. In addition, DTA has assumed that pending appeals will result in a reduced value equal to the greater of the applicant's opinion of value or 86% of the contested value. The estimated reduction for pending appeals is based on an analysis of resolved assessment appeal data for property in the Project Area and other project specific factors and estimated County-wide value reductions going forward as explained in Section II.D.2 above.

4. Fiscal Year 2006-2007 Appeals

During Fiscal Year 2006-2007, a total of two appeals were filed in the Project Area as shown in Table 4. Both appeals with a total Fiscal Year 2006-2007 assessed value of $2,976,900 were resolved with a reduction in value of $30,000 for Fiscal Year 2006-2007, a 1.01% decline.

TABLE 4
FY 2006-2007 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	*0*	*0*	*0*	*$0*	*$0*	*$0*	*$0*	*0.00%*
Resolved Appeals								
Residential								
INDIVIDUAL HOMEOWNERS	2	1		$2,976,900	$2,335,000	$2,946,900	($30,000)	-1.01%
Subtotal - Residential	2	1	NA	$2,976,900	$2,335,000	$2,946,900	($30,000)	-1.01%
Pending Appeals	0	0	0	$0	$0	$0	$0	0.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	2	1	NA	$2,976,900	$2,335,000	$2,946,900	($30,000)	-1.01%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Total FY 2006-2007 Pending and Resolved Appeals	2	1	NA	$2,976,900	$2,335,000	$2,946,900	($30,000)	-1.01%

5. Fiscal Year 2007-2008 Appeals

During Fiscal Year 2007-2008, a total of 55 appeals were filed in the Project Area as shown in Table 5. All 55 appeals with a total Fiscal Year 2007-2008 assessed value of $25,453,336 were resolved with a total reduction in value of $3,310,617 for Fiscal Year 2007-2008, a 13.01% decline.

TABLE 5
FY 2007-2008 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	*0*	*0*	*0*	*$0*	*$0*	*$0*	*$0*	*0.00%*
Resolved Appeals								
Residential								
INDIVIDUAL HOMEOWNERS	53	49		$23,910,297	$17,973,153	$20,872,719	($3,037,578)	-12.70%
Subtotal - Residential	53	49	NA	$23,910,297	$17,973,153	$20,872,719	($3,037,578)	-12.70%
Non-Residential								
MILAN KAISER	1	1		$1,353,039	$811,000	$1,100,000	($253,039)	-18.70%
TRENTON RILEY WATERLOO PROPERTIES LLC	1	0		$190,000	$150,000	$170,000	($20,000)	-10.53%
Subtotal - Non-Residential	2	1	NA	$1,543,039	$961,000	$1,270,000	($273,039)	-17.69%
Pending Appeals	0	0	0	$0	$0	$0	$0	0.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	52	47	NA	$21,514,160	$16,343,153	$18,662,719	($2,851,441)	-13.25%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	3	3	NA	$3,939,176	$2,591,000	$3,480,000	($459,176)	-11.66%
Total FY 2007-2008 Pending and Resolved Appeals	55	50	NA	$25,453,336	$18,934,153	$22,142,719	($3,310,617)	-13.01%

6. Fiscal Year 2008-2009 Appeals

During Fiscal Year 2008-2009, a total of 204 appeals were filed in the Project Area as shown in Table 6. Three appeals were resolved with no change in value for Fiscal Year 2008-2009. In addition, 137 appeals with a total Fiscal Year 2008-2009 assessed value of $64,329,275 were resolved with a total reduction in value of $8,968,601 for Fiscal Year 2008-2009, a 13.94% decline.

For the remaining 64 pending appeals through Fiscal Year 2008-2009 with a combined total Fiscal Year 2008-2009 assessed value of $33,228,987, DTA has estimated a total reduction of $3,191,690 which represents 9.61% of the contested value as described in Section II.D.3 above.

TABLE 6
FY 2008-2009 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis [2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals								
Residential								
ALLEMOC PROPERTIES, LLC	1	1	1	$649,458	$450,000	$558,534	($90,924)	-14.00%
AMPROP NORTH PARK LLC	1	1	1	$399,578	$302,614	$343,637	($55,941)	-14.00%
FOLEY PROPERTY ASSETS LLC	1	1	1	$1,363,862	$546,000	$1,172,921	($190,941)	-14.00%
NORFOLK TERRACE PROPERTIES LLC	1	1	1	$300,900	$156,578	$258,774	($42,126)	-14.00%
PERIG PROPERTIES LLC [2]	2	2	1	$2,338,049	$1,267,055	$2,201,663	($136,386)	-5.83%
INDIVIDUAL HOMEOWNER [1, 2]	53	48	45	$24,117,356	$18,125,022	$22,010,353	($2,107,003)	-8.74%
Subtotal - Residential	59	54	50	$29,169,203	$20,847,269	$26,545,882	($2,623,321)	-8.99%
Non-Residential								
7-ELEVEN, INC. #16073	1	1	1	$714,060	$448,500	$614,092	($99,968)	-14.00%
MJK 30TH REAL ESTATE HOLDING CO. LLC	1	1	1	$728,000	$583,333	$626,080	($101,920)	-14.00%
MJK OCEANSIDE REAL ESTATE HOLDING CO., L	1	1	1	$1,061,207	$375,000	$912,638	($148,569)	-14.00%
ADAMS LLC 2602	1	1	1	$806,517	$484,000	$693,605	($112,912)	-14.00%
PAUL SLOMAN	1	0	1	$750,000	$640,000	$645,000	($105,000)	-14.00%
Subtotal - Non-Residential	5	4	5	$4,059,784	$2,530,833	$3,491,414	($568,370)	-14.00%
Resolved Appeals								
Residential								
4438 OHIO LLC	1	1		$1,810,956	$1,250,000	$1,300,000	($510,956)	-28.21%
4724 30TH STREET LLC	1	1		$1,196,460	$938,400	$1,000,000	($196,460)	-16.42%
CMC FAMILY LIMITED PARTNERSHIP	1	1		$936,360	$780,000	$800,000	($136,360)	-14.56%
CNC GAAS INC	1	1		$1,363,863	$1,050,000	$1,100,000	($263,863)	-19.35%
L-20 LLC	2	2		$3,324,272	$2,217,347	$2,975,000	($349,272)	-10.51%
LCD ENTERPRISES LLC	1	1		$1,380,098	$1,251,160	$1,250,000	($130,098)	-9.43%
UPTOWN COMMUNITIES LLC	2	2		$1,087,736	$700,000	$960,000	($127,736)	-11.74%
INDIVIDUAL HOMEOWNERS	125	124		$49,316,930	$35,515,176	$43,215,674	($6,101,256)	-12.37%
Subtotal - Residential	134	133	NA	$60,416,675	$43,702,083	$52,600,674	($7,816,001)	-12.94%
Non-Residential								
ANDRE LUSTI	2	2		$1,061,207	$385,000	$1,061,207	$0	0.00%
BLUE SYCAMORE LLC	1	1		$897,522	$761,275	$760,000	($137,522)	-15.32%
JOHN WOODS	1	1		$936,360	$600,000	$800,000	($136,360)	-14.56%
NITA SHAH	1	1		$675,000	$472,500	$675,000	$0	0.00%
NORTH PARK RETAIL PARTNERS LP	1	1		$2,078,718	$1,000,000	$1,200,000	($878,718)	-42.27%
Subtotal - Non-Residential	6	6	NA	$5,648,807	$3,218,775	$4,496,207	($1,152,600)	-20.40%
Pending Appeals	64	58	55	$33,228,987	$23,378,102	$30,037,297	($3,191,690)	-9.61%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	109	108	NA	$46,959,790	$33,484,178	$40,291,610	($6,668,180)	-14.20%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	31	31	NA	$19,105,692	$13,436,680	$16,805,271	($2,300,421)	-12.04%
Total FY 2008-2009 Pending and Resolved Appeals	204	197	NA	$99,294,469	$70,298,960	$87,134,178	($12,160,291)	-12.25%

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resolved in favor of the applicant at a rate of 86% of the contested value, based on resolved assessment appeals data for property in the Project Area since FY 2006-2007. Actual resolved appeals in the Project Area since FY 2006-2007 resulted in an average reduction of 14%.
[2] A parcel may have multiple appeals filed by a property owner. For purposes of this analysis, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.

7. Fiscal Year 2009-2010 Appeals

During Fiscal Year 2009-2010, a total of 106 appeals were filed in the Project Area as shown in Table 7. Eight appeals with a total Fiscal Year 2009-2010 assessed value of $10,625,475 were resolved with a total reduction in value of $1,923,375 for Fiscal Year 2009-2010, an 18.10% decline.

The remaining 98 appeals remain pending with a combined total Fiscal Year 2009-2010 assessed value of $82,761,070. DTA has estimated a total reduction of $9,991,577 which represents 12.07% of the contested value as described in Section II.D.3 above.

TABLE 7
FY 2009-2010 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis [2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals								
Residential								
4222 -44TH STREET, LLC	1	1	1	$2,909,830	$2,200,000	$2,502,454	($407,376)	-14.00%
AMPROP NORTH PARK, LLC [2]	1	1	0	$407,569	$302,614	$407,569	$0	0.00%
FOLEY PROPERTY ASSESTS LLC [2]	1	1	0	$1,391,138	$557,000	$1,391,138	$0	0.00%
HIGHER CALL LLC [1]	1	1	1	$1,744,445	$1,509,151	$1,509,151	($235,294)	-13.49%
L-20 LLC [2]	1	1	0	$2,190,490	$1,900,000	$2,190,490	$0	0.00%
LEE TUSCANY, LLC	1	1	1	$3,659,759	$1,950,000	$3,147,393	($512,366)	-14.00%
LIM INVESTMENTS	1	1	1	$1,515,403	$1,050,000	$1,303,247	($212,156)	-14.00%
PERIG PROPERTIES [2]	2	2	1	$2,300,000	$1,204,145	$2,132,000	($168,000)	-7.30%
TEXAS STREET PROPERTY C & G	1	1	1	$719,854	$909,000	$619,074	($100,780)	-14.00%
INDIVIDUAL HOMEOWNER [1, 2]	66	64	64	$31,420,593	$23,391,475	$27,408,630	($4,011,963)	-12.77%
Subtotal - Residential	76	74	70	$48,259,081	$34,973,385	$42,611,145	($5,647,936)	-11.70%
Non-Residential								
2602 ADAMS LLC [2]	1	1	0	$822,646	$329,000	$822,646	$0	0.00%
68TH ST SQ, LLC	2	2	2	$1,353,039	$947,127	$1,163,614	($189,425)	-14.00%
7-ELEVEN, INC #16073 [2]	1	1	0	$728,340	$550,000	$728,340	$0	0.00%
AHD HADDAD	2	2	2	$1,487,118	$975,000	$1,278,921	($208,197)	-14.00%
ANDRE LUSTI	2	2	2	$1,082,430	$350,000	$930,890	($151,540)	-14.00%
BEACH 9141 SAN DIEGO CA CM LP C/O CVS REALTY C	1	1	1	$8,219,160	$6,500,000	$7,068,478	($1,150,682)	-14.00%
CHURCHILL HERBERT	1	1	1	$1,565,802	$1,300,000	$1,346,590	($219,212)	-14.00%
AMPROP NORTH PARK, LLC	3	3	3	$4,146,435	$3,078,664	$3,565,934	($580,501)	-14.00%
APRO, LLC	1	1	1	$1,856,226	$1,111,170	$1,596,354	($259,872)	-14.00%
MJK OCEANSIDE REAL ESTATE HOLDING CO.LLC [2]	1	1	0	$1,082,430	$375,000	$1,082,430	$0	0.00%
MJK/30TH REAL ESTATE HOLDING CO., LLC [2]	2	2	1	$1,585,120	$1,166,667	$1,481,162	($103,958)	-6.56%
NATIONAL KFC	1	1	1	$832,876	$500,000	$716,273	($116,603)	-14.00%
SATIRASI, LLC	1	1	1	$757,701	$475,000	$651,623	($106,078)	-14.00%
SHAH FAMILY TRUST	2	1	2	$1,082,666	$757,866	$931,093	($151,573)	-14.00%
SUPERVALU - ALBERTSONS	1	0	1	$7,900,000	$6,288,000	$6,794,000	($1,106,000)	-14.00%
Subtotal - Non-Residential	22	20	18	$34,501,989	$24,703,494	$30,158,347	($4,343,642)	-12.59%

TABLE 7 CONTINUED
FY 2009-2010 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis [2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Resolved Appeals								
Residential								
INDIVIDUAL HOMEOWNERS	2	2		$460,000	$355,000	$390,000	($70,000)	-15.22%
Subtotal - Residential	2	2	NA	$460,000	$355,000	$390,000	($70,000)	-15.22%
Non-Residential								
MCEWEN OTAY, LLC	1	1		$6,614,700	$4,000,899	$5,112,100	($1,502,600)	-22.72%
JAMEL CHERIF	5	5		$3,550,775	$2,840,622	$3,200,000	($350,775)	-9.88%
Subtotal - Non-Residential	6	6	NA	$10,165,475	$6,841,521	$8,312,100	($1,853,375)	-18.23%
Pending Appeals	98	94	88	$82,761,070	$59,676,879	$72,769,493	($9,991,577)	-12.07%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	8	8	NA	$10,625,475	$7,196,521	$8,702,100	($1,923,375)	-18.10%
Total FY 2009-2010 Pending and Resolved Appeals	106	102	NA	$93,386,545	$66,873,400	$81,471,593	($11,914,952)	-12.76%
Grand Total - Pending Appeals				**$102,943,294**	**$74,942,777**	**$89,760,026**	**($13,183,268)**	**-12.81%**
Grand Total - Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll				**$60,816,405**	**$44,174,768**	**$52,066,474**	**($8,749,931)**	**-14.39%**
Grand Total - Resolved Appeals After Final FY 2009-2010 Assessor Roll				**$32,067,516**	**$22,389,201**	**$27,451,164**	**($4,616,352)**	**-14.40%**
GRAND TOTAL - Pending and Resolved Appeals				**$195,827,215**	**$141,506,746**	**$169,277,664**	**($26,549,551)**	**-13.56%**

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resolved in favor of the applicant at a rate of 86% of the contested value, based on resolved assessment appeals data for property in the Project Area since FY 2006-2007. Actual resolved appeals in the Project Area since FY 2006-2007 resulted in an average reduction of 14%.
[2] A parcel may have multiple appeals filed by a property owner. For purposes of this analysis, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.

8. Top Taxpayer Appeals

As of March 8, 2010, no appeals have been filed by any of the top ten assessees shown in Table 3 above.

E. Projections of Total Assessed Values

Due to the fact that the current real estate market downturn may last for several years, we have estimated an annual reduction of assessed values through Fiscal Year 2011-2012. As discussed in Section II.D.2 above, we have assumed a reduction in value of 3% and 2% for Fiscal Years 2010-2011 and 2011-2012, respectively. We have then assumed no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter. However, we are not showing the increase in values back to base values for any value reductions other than the 1% and 2% annual increases as described above. It is important to note that the actual reduction to tax increment for future years may be higher or lower for a number of different reasons, including filing of additional appeals in future years.

III. PROJECT TAX INCREMENT REVENUE ALLOCATION

A. TAX RATES

Tax increment revenues in this analysis are calculated by applying the tax rate determined by the County Assessor to the annual incremental assessed value of the Project Area. The general ad valorem tax rate is $1 per $100 of assessed value. In addition to this rate, an override rate reflects the debt service for various agencies which have issued bonds in the Project Area. Pursuant to Section 33670 (e) of the Health and Safety Code, approved on November 8, 1988, tax increment revenues cannot be calculated using property taxes generated from voter-approved bonded indebtedness on or following January 1, 1989. Table 8 shows the Fiscal Year 2009-2010 rates in the Project Area, separating the override amounts attributed to bonded indebtedness by participating agencies which excludes those that started levying a charge after January 1, 1989. Thus, the Fiscal Year 2009-2010 tax rate used to calculate tax increment in the Project Area is $1.00930 per $100 of assessed value. DTA assumes a secured tax rate of $1.00 per $100 after Fiscal Year 2009-2010 as the override rates usually decline over time as values increase and bonded indebtedness is paid off.

TABLE 8
SUMMARY OF PARTICIPATING AND NON-PARTICIPATING AGENCIES

Participating Agencies [1]	FY 2008-2009 Rates for TRA 008-255 [3]	FY 2009-2010 Rates for TRA 008-255 [3]
	1.00000%	1.00000%
City of San Diego Zoological Exhibit	0.00500%	0.00500%
San Diego Unified Lease/Purchase	0.00000%	0.00000%
Metropolitan Water District	0.00430%	0.00430%
County Water Authority	0.00000%	0.00000%
Subtotal	1.00930%	1.00930%
Non-Participating Agencies [2]		
San Diego City Public Safety	0.00108%	0.00113%
San Diego Unified Bond Series 1999A	0.00788%	0.00868%
San Diego Unified Bond Series 2000B	0.00639%	0.00717%
San Diego Unified Bond Series 2001C	0.00734%	0.00824%
San Diego Unified Bond Series 2002D	0.00965%	0.01074%
San Diego Unified Bond Series 2003E	0.01411%	0.01514%
San Diego Unified Bond Series 1998F	0.00324%	0.00351%
San Diego Unified Bond Series 1998G	0.00440%	0.00496%
San Diego Unified Bond Series 2006 F-1 Refunding	0.00458%	0.00464%
San Diego Unified Bond Series 2006 G-1 Refunding	0.00425%	0.00362%
San Diego Community College Bond 2003A	0.00068%	0.00213%
San Diego Community College Bond 2003B	0.00840%	0.00917%
San Diego Community College Bond 2006A	0.00304%	0.00845%
San Diego Community College Bond 2009C	0.00000%	0.00507%
Subtotal	0.07504%	0.09265%
Grand Total	**1.08434%**	**1.10195%**

[1] Agencies that began levying an annual charge before January 1, 1989.
[2] Agencies that have been levying an annual charge after January 1, 1989.
[3] Tax rates based on information provided by the San Diego County Auditor/Controller.

B. SUPPLEMENTAL TAXES, DELINQUENCIES, PENALTIES, INTEREST

Supplemental property taxes are a result of change in ownership of property or new construction. They are based on the difference between the prior year value and the new value and can represent either a positive or negative impact to the Project Area value. They are allocated to the Agency throughout the year and included in the ten apportionments made each year to the Agency by the Auditor Controller. The history of supplemental tax receipts in the Project Area is shown in Table 9. To be conservative, future supplemental assessments are not projected.

TABLE 9
ALLOCATION ADJUSTMENTS [1]

Year	Supplemental Roll	Roll Corrections	Refunds/Adjustments	Delinquencies/ Penalties	Total Adjustments
1999-2000	$46,633.44	($1,868.98)	($3,490.97)	$0.00	$41,273.49
2000-2001	$170,136.31	($950.85)	($13,697.20)	$8,955.08	$164,443.34
2001-2002	$320,938.79	($1,003.23)	($23,780.95)	$14,699.25	$310,853.86
2002-2003	$413,173.87	($472.29)	($26,975.47)	$22,058.01	$407,784.12
2003-2004	$494,959.35	($3,523.79)	($34,303.64)	$28,167.79	$485,299.71
2004-2005	$902,383.85	($5,005.48)	($65,139.81)	$31,547.38	$863,785.94
2005-2006	$886,859.28	($748.33)	($67,563.06)	$50,106.41	$868,654.30
2006-2007	$648,326.27	($1,502.23)	($69,533.67)	$79,482.40	$656,772.77
2007-2008	$1,028,735.50	($4,518.76)	($100,205.53)	$142,580.95	$1,066,592.16
2008-2009	$265,764.09	($13,175.65)	($60,383.96)	$276,064.57	$468,269.05

[1] Based on information in the Agency Trust Fund Summary, prepared by the Auditor-Controller.

Tax increment payments can also be adjusted due to roll corrections, delinquencies, penalties, and interest. Property taxes on assessed valuations that are reduced due to later assessment appeals result in refunds for the taxes paid based on the original value. The historical amounts of these adjustments are also shown in Table 9.

The historical percentage of tax receipts to the actual amount of taxes levied is shown in Table 10. Please note that the total tax receipts collected often exceed the amount levied due to collection of penalties and interest. The shortfall in Fiscal Year 2008-2009 can be attributed to delinquencies and lower revenues received by the Agency from the supplemental roll than in prior years.

TABLE 10
HISTORIC RECEIPTS TO LEVY ANALYSIS [1]

Fiscal Year Ending:	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
I. Reported Assessed Value										
Total Project Value [2]	$460,781,672	$492,422,808	$533,386,558	$576,141,181	$636,771,272	$711,769,499	$832,019,088	$956,142,587	$1,131,971,188	$1,168,729,821
Less Base Value	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030
Incremental Value	37,230,642	68,871,778	109,835,528	152,590,151	213,220,242	288,218,469	408,468,058	532,591,557	708,420,158	745,178,791
Tax Rate	1.11065%	1.11046%	1.10928%	1.01820%	1.01177%	1.11827%	1.11250%	1.00970%	1.00950%	1.00930%
II. Gross Tax Increment	413,502	764,794	1,218,384	1,553,673	2,157,298	3,223,061	4,544,207	5,377,577	7,151,501	7,521,090
Unitary Revenue	0	0	1,138	1,083	1,594	1,614	1,623	2,755	14,881	15,334
County Administrative Expenses	(4,504)	(5,138)	(7,012)	(12,326)	(14,551)	(28,136)	(35,460)	(43,559)	(52,451)	(68,719)
Total Computed Levy	408,998	759,656	1,212,510	1,542,431	2,144,341	3,196,538	4,510,370	5,336,773	7,113,932	7,467,705
III. Total Receipts [3]	445,221	912,867	1,498,177	2,078,180	2,610,446	3,711,294	4,889,797	5,860,397	7,930,701	7,671,766
Surplus/(Shortfall)	36,223	153,211	285,667	535,750	466,106	514,756	379,427	523,624	816,769	204,061
% Difference of Computed Levy [3]	108.86%	120.17%	123.56%	134.73%	121.74%	116.10%	108.41%	109.81%	111.48%	102.73%

[1] Fiscal Year 1999-2000 reflects the first year tax increment monies were collected.
[2] Based on total secured and unsecured value for the Project provided by the San Diego County Auditor/Controller as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for Fiscal Year 2009-2010)
[3] Actual receipts collected often exceed the amount levied due to penalties and interest collected by the Agency.

C. Unitary Taxes

The State Board of Equalization ("SBE") establishes the taxable value of real and personal property of utilities, and since Fiscal Year 1988-1989, the values have been assessed as a Countywide unit. There are several qualifications to the unitary revenue disbursement: a taxing agency is entitled to receive the same amount of revenue as the previous year as well as an increase of up to 2%, unless unitary revenues decrease below a level adequate to provide each taxing agency with the same share as the prior year. In this case, the unitary revenues will be reduced pro rata to all agencies. The other component of unitary allocation is significant when the assessed valuation of unitary taxes increases by more than 2% in one year, in which case revenues are allocated according to the percentage that each taxing agency in the County receives for secured taxable values. As of Fiscal Year 1988-1989, when the allocation procedures changed, it was determined that a taxing agency that was created after Fiscal Year 1988-1989 was not entitled to receive unitary revenues. Due to the abovementioned procedure, no unitary revenues were received in years prior to the creation of the Project Area in 1997.

Unitary revenue for the Project Area received as of June 30, 2009 was $15,334. The Project Area received a proportion of the increased amount as it was entitled to receive a share of the revenues. Assuming that the unitary revenues will stay at a constant level in future years, DTA is conservatively estimating that the Project Area will continue to receive the same amount.

D. Administrative Charges

Senate Bills 2557 and 1559 allow counties to determine property tax administrative charges to local agencies in the proportion that is attributable to their property tax administrative costs to the County. The average administrative charge from Fiscal Year 2004-2005 through Fiscal Year 2008-2009 was approximately 0.78% of gross incremental revenue.

DTA has conservatively estimated the charge for future years to be 1.00% of gross incremental revenue. Tables 13 and Exhibit A show the administrative charge as a deduction to the gross revenue in the Project Area.

E. Low and Moderate Income Housing Set Aside

In accordance with Community Redevelopment Law (Health and Safety Code, Section 33000 *et seq.*), the Agency is required to set aside 20% of all tax increment revenues into a low and moderate income housing fund. For purposes of this analysis, DTA assumes that the Agency will continue to set aside 20% of the tax increment in order to improve, add to, or maintain the City of San Diego's supply of low and moderate income housing in future years. Exhibit A, which projects future tax increment revenues for the Project Area, indicates the amount set aside for low and moderate income housing each year as a separate line item. The housing

revenues are pledged to pay debt service on the proposed pooled housing bonds described in Section I.B.

F. AB 1290 Payments to Affected Taxing Entities

Assembly Bill 1290 ("AB 1290") was effective as of January 1, 1994 and was significant in that it put an end to the ability of public agencies to enter into "pass through agreements" and instead the amounts to be paid to the affected taxing agencies are automatically set at statutory levels of non-housing revenue. Since the Project Area will not be pledging non-housing revenue for the proposed pooled housing bonds described in Section I.B, the AB 1290 payments have been excluded from Table 13 and Exhibit A.

G. Property Tax Delinquencies and Foreclosures

Delinquency information for the Project Area was researched with the County on May 10, 2010. As of this date, 202 parcels (6.02% of the total parcels) in the Project Area had a delinquency rate of 4.21% in the payment of secured Fiscal Year 2009-2010 property taxes to the County Tax Collector.

Information regarding foreclosure proceedings for residential parcels within zip code 92104, which encompasses the majority of the Project Area, but also includes areas outside the Project Area, was researched through RealtyTrac on May 13, 2010. As of this date, 455 residential properties had Notices of Default recorded with the County of San Diego, 638 residential properties were undergoing a trustee's sale, and 833 residential properties were bank-owned. Please note that zip code 92104 encompasses over 22,000 residential units while the Project Area encompasses 6,903 residential units. Therefore, the actual number of residential properties within the Project Area which are affected by foreclosure proceedings will be less than stated above.

H. Educational Revenue Augmentation Fund ("ERAF")

In July 2009, the State Legislature adopted AB 26 which required redevelopment agencies to pay into their respective County Supplemental Educational Revenue Augmentation Fund ("SERAF") an aggregate amount of $1.7 billion in Fiscal Year 2009-2010, of which approximately $56 million was the Agency's share, and an additional $350 million in Fiscal Year 2010-2011, of which approximately $11.5 million is the Agency's share. On May 10, 2010, the Agency made the required SERAF payment using prior-year Project Area non-housing tax increment revenues on hand. Since the Project Area will not be pledging non-housing revenue for the proposed pooled housing bonds described in Section I.B, no ERAF or SERAF payments are shown in Table 13 and Exhibit A.

IV. PROJECT TAX INCREMENT PROJECTIONS

A. CHANGES IN ASSESSED VALUES

Tables 11 and 12 present an analysis of the greatest changes in assessed value between Fiscal Years 2008-2009 and 2009-2010. As shown in Tables 11 and 12, the total assessed value for 963 residential parcels was reduced by $78,300,890 (percentage change from Fiscal Year 2008-2009 to Fiscal Year 2009-2010 is -21.14%) by the County Assessor for Fiscal Year 2009-2010 as a result of Proposition 8 reductions, other assessment appeals, and changes in ownership. Of the remaining residential parcels in the Project Area, 1,023 parcels increased in value by the 2% inflation factor for Fiscal year 2009-2010 and 730 parcels were increased in value by greater amounts. The remaining 45 residential parcels increased by less than the 2% inflation factor from Fiscal Year 2008-2009. In total, residential parcels in the Project Area decreased in value for Fiscal Year 2009-2010 by $44,039,786, or decreased by 5.14% from the residential property values for Fiscal year 2008-2009. The Project Area decreased in total value by $30,619,887 (2.68%) for Fiscal Year 2009-2010.

More specifically, there were two property owners in the Project Area whose total value increased by $6,252,841 for Fiscal Year 2009-2010 due to a change in ownership and new construction. There were also two parcels in the Project Area for which the total value decreased by $1,689,674 for Fiscal Year 2009-2010 due to a change in ownership to an exempt entity.

TABLE 11
LARGEST CHANGES IN SECURED ASSESSED VALUE
(TOP TEN INCREASES AND DECREASES)

Current Assessee	Reason for Change in Value	Parcels	FY 2008-2009 Secured Net Assessed Value [1]	FY 2009-2010 Secured Net Assessed Value [1]	Difference	Percent Change
Top Ten Parcels that Increased in Value						
Arbor Terrace	New Construction	8	$6,312,000	$10,838,240	$4,526,240	71.71%
Old Globe Theater	Ownership Change	1	373,399	2,100,000	1,726,601	462.40%
K&L Property Holdings LP	Ownership Change	2	819,088	2,065,000	1,245,912	152.11%
3137 El Cajon Boulevard LP	Ownership Change	2	0	1,220,946	1,220,946	0.00%
LV45 LLC	Ownership Change	2	1,815,563	2,991,228	1,175,665	64.75%
Individual Homeowner	Ownership Change	1	1,014,498	2,131,800	1,117,302	110.13%
Haddad Ahd	Ownership Change	2	474,169	1,487,118	1,012,949	213.63%
Individual Homeowner	Ownership Change	1	67,156	925,000	857,844	1277.39%
Malva Properties LLC	Ownership Change	1	479,534	1,249,500	769,966	160.57%
Sloman Paul & Virginia Living Trust	Ownership Change	2	583,894	1,270,200	686,306	117.54%
Subtotal		*22*	*11,939,301*	*26,279,032*	*14,339,731*	120.11%
Top Ten Parcels that Decreased in Value						
Renaissance Retail Partners LLC	Ownership Change	1	2,078,718	1,200,000	(878,718)	-42.27%
4438 Ohio LLC	Proposition 8 Reduction	1	1,810,956	1,000,000	(810,956)	-44.78%
Panah Mostafa, Keshavarz Abbas	Increased Exemptions	1	805,628	16,434	(789,194)	-97.96%
Individual Homeowner	Proposition 8 Reduction	4	1,380,000	690,000	(690,000)	-50.00%
Cnc Gaas Inc.	Proposition 8 Reduction	1	1,363,863	900,000	(463,863)	-34.01%
Individual Homeowner	Proposition 8 Reduction	3	930,000	480,000	(450,000)	-48.39%
Individual Homeowner	Ownership Change	2	2,370,480	1,940,000	(430,480)	-18.16%
Federal National Mortgage Assn	Ownership Change	3	825,000	440,000	(385,000)	-46.67%
Individual Homeowner	Proposition 8 Reduction	1	1,380,099	1,000,000	(380,099)	-27.54%
Individual Homeowner	Ownership Change	21	5,335,000	4,975,000	(360,000)	-6.75%
Subtotal		*38*	*18,279,744*	*12,641,434*	*(5,638,310)*	-30.84%
All Other Parcels	NA	3,299	1,111,878,478	1,072,557,170	(39,321,308)	-3.54%
Total		**3,359**	**1,142,097,523**	**1,111,477,636**	**(30,619,887)**	**-2.68%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).

TABLE 12
LARGEST CHANGES IN SECURED ASSESSED VALUE
(BY RESIDENTIAL AND NON-RESIDENTIAL CATEGORIES)

Current Assessee	Parcels	FY 2008-2009 Secured Net Assessed Value [1]	FY 2009-2010 Secured Net Assessed Value [1]	Difference	Percent Change
Residential					
Increase in Value (Greater Than 2%)	730	$146,629,109	$173,658,370	$27,029,261	18.43%
Increase in Value (Equal to 2%)	1,023	357,810,227	364,965,490	7,155,263	2.00%
Increase in Value (Less Than 2%)	16	6,342,414	6,418,994	76,580	1.21%
No change in Value [2]	29	7,981,354	7,981,354	0	0.00%
Decrease in Value from Prop 8 Reduction Appeals [3]	2	519,990	450,000	(69,990)	-13.46%
Decrease in Value from Automatic Prop 8 Reductions [4]	834	289,751,715	223,901,098	(65,850,617)	-22.73%
Decrease in Value from Other Assessment Appeals [5]	0	0	0	0	0.00%
Decrease in Value (Increased Exemption) [6]	4	492,790	193,414	(299,376)	-60.75%
Decrease in Value (Ownership Changed) [7]	123	47,573,463	35,492,556	(12,080,907)	-25.39%
Subtotal	2,761	857,101,062	813,061,276	(44,039,786)	-5.14%
Non-Residential					
Increase in Value (Greater Than 2%)	49	19,293,147	28,191,298	8,898,151	46.12%
Increase in Value (Equal to 2%)	487	233,728,310	238,402,483	4,674,173	2.00%
Increase in Value (Less Than 2%)	4	12,889,686	13,120,784	231,098	1.79%
No change in Value [2]	19	0	0	0	0.00%
Decrease in Value from Prop 8 Reduction Appeals [3]	0	0	0	0	0.00%
Decrease in Value from Automatic Prop 8 Reductions [4]	6	10,050,508	9,168,875	(881,633)	-8.77%
Decrease in Value from Other Assessment Appeals [5]	1	190,000	173,400	(16,600)	-8.74%
Decrease in Value (Increased Exemption) [6]	5	1,727,921	307,821	(1,420,100)	-82.19%
Decrease in Value (Ownership Changed) [7]	3	2,676,364	1,689,600	(986,764)	-36.87%
Subtotal	574	280,555,936	291,054,261	10,498,325	3.74%
New Residential Parcels [8]	24	NA	7,362,099	7,362,099	NA
New Non-Residential Parcels [8]	0	NA	0	0	NA
Superceded Parcels [9]	2	4,440,525	NA	(4,440,525)	NA
Total	**3,359**	**1,142,097,523**	**1,111,477,636**	**(30,619,887)**	**-2.68%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] A total of 5 residential parcels and 19 non-residential parcels had a Net Assessed Value of $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.
[3] Values based on the final Assessor's roll for each fiscal year. The reductions were a result of Proposition 8 appeals by property owners allowing a temporary reduction in assessed value based on decreasing market value.
[4] Based on discussions with the County appraiser, the reductions were due to automatic Proposition 8 reductions allowing a temporary reduction in assessed value based on decreasing market value.
[5] Values were reduced following successful assessment appeals by the property owners. The assessment appeals were not a result of a Proposition 8 temporary reduction in assessed value.
[6] Based on data from County Assessor, the decrease in value from FY 2008-2009 to FY 2009-2010 was due to an increase in the exemptions.
[7] Values based on the closed Assessor's roll for each fiscal year. Following the change in ownership, the County revised the assessed value of the parcels to reflect the market value.
[8] New parcels for FY 2009-2010 as a result of parcel changes from the prior year.
[9] FY 2008-2009 assessor parcels that did not have matching FY 2009-2010 parcel numbers.

B. New Development

The table below summarizes new development that may increase assessed values within the Project Area in the future. For purposes of this analysis, however, we have conservatively assumed that there will not be any increase in assessed values for future years as a result of such new development within the Project Area.

Project	Description
North Park Retail Center	Construction of new commercial site containing approximately 14,969 square feet for a Fresh & Easy grocery store and retail space. The project began in May 2009 and is anticipated to be completed by July 2010 with a value of approximately $10 million.
Lafayette Hotel	$4 million rehabilitation of 131-room historic hotel. It is anticipated that the project will be completed by the end of 2011.
North Park Pilot Village	Agency proposing $4 million rehabilitation of commercial properties between Grim and 31st Street on the south side of University Avenue as a keystone project within the pilot village. Several parcels are available for sale and/or lease. No timeline for completion has been established.
Bodhi Animal Hospital	The rehabilitation of an existing vacant building at 2200 University Avenue into a veterinary clinic and animal hospital. Estimated completion date is March 2011 with an expected increase in value of approximately $2.7 million.

The table below summarizes three new affordable housing projects which will result in a reduction of assessed value due to property being classified by the County as non-taxable and removed from the tax roll. It is expected that the three projects will be owned and operated by a tax exempt non-profit entity. For purposes of this analysis, we have assumed a reduction of future assessed value equal to the Fiscal Year 2009-2010 taxable value of such properties.

Project	Description
Pathfinders of San Diego, Inc.	Rehabilitation and conversion of an existing hotel and adjacent property on University Avenue into 16 affordable rental units for men dual-diagnosed for mental and substance abuse problems. Construction expected to be completed in June 2010. Value removed from 2010-2011 roll: $1,104,076
Arbor Crest North	Construction of an 83-unit affordable rental complex on Florida Street just south of University. The project includes the removal of 15 substandard residences on a one-acre site. Property was purchased and removed from the tax roll in February 2009. Commencement of construction is uncertain as it is dependent on obtaining tax credit awards. If the award is not received within three years, the deed will return to the Housing Commission, but the property will remain off the tax rolls. Value removed from 2009-2010 roll: $3,433,577
Boulevard at North Park	Proposed affordable housing project on El Cajon Blvd between Florida and Alabama Streets. No timeline established. Value removed from 2011-2012 roll: $4,135,285

C. Tax Increment Projections

Table 13 summarizes the Fiscal Year 2009-2010 assessed values and details how the net tax increment is calculated. Exhibit A projects the tax increment to be generated by the Project Area through Fiscal Year 2042-2043. DTA has estimated the future tax increment based on the Project Area assessed valuation for Fiscal Year 2009-2010, utilizing the assumptions stated herein regarding current adjustments to the increment.

For purposes of this analysis, we are using the Fiscal Year 2009-2010 County Assessor's secured assessed value, which is lower than the Auditor's secured value, to calculate the projected annual tax increment. As discussed in Section II.D above, Fiscal Year 2009-2010 includes a reduction in value for pending assessment appeals and assessment appeals which were resolved after the Fiscal Year 2009-2010 Assessor's Roll was finalized. As discussed in Section IV.B above, the tax increment projection includes a reduction in value due to property being classified by the County as non-taxable and removed from the tax roll.

As discussed in Section II.D.2 above, the projections are based on a reduction in value of 3% and 2% for Fiscal Years 2010-2011 and 2011-2012, respectively. We have then assumed no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter. Other than the 1% and 2% annual increases as described above, we are not showing the increase in values back to base values for any value reductions. Actual reductions or increases in assessed value will vary.

The real property value described above is added to the value of personal property, which includes secured and unsecured personal property within the Project Area less unsecured exemptions for Fiscal Year 2009-2010. The value of personal property is assumed to remain constant throughout the subsequent years.

Lastly, the incremental value is the difference between the total value and the base year value, and the tax rate used in the calculation of gross revenue for Fiscal Year 2009-2010 is the actual tax rate. This is assumed to decrease in subsequent years. Unitary revenue and administrative charges result in adjustments to the net tax increment, for which the assumptions were discussed previously. The set aside for low and moderate income housing is shown as a separate line item.

TABLE 13
FY 2009-2010 TAX INCREMENT REVENUE ESTIMATE

	FY 2009-2010 Taxable Value	Base Taxable Value	Incremental Taxable Value
Secured Values [1]			
Land	$605,817,982	$196,484,726	$409,333,256
Improvement	543,408,736	222,640,198	320,768,538
Personal Property	2,083,547	2,523,329	(439,782)
Gross Value	1,151,310,265	421,648,253	729,662,012
Less Exemptions	(39,832,629)	(8,911,306)	(30,921,323)
Total Secured	**1,111,477,636**	**412,736,947**	**698,740,689**
Unsecured Values [2]			
Land	0	0	0
Improvement	7,865,765	4,348,700	3,517,065
Personal Property	12,394,902	6,465,383	5,929,519
Gross Value	20,260,667	10,814,083	9,446,584
Less Exemptions	(1,192,506)	0	(1,192,506)
Total Unsecured	**19,068,161**	**10,814,083**	**8,254,078**
Total Secured and Unsecured	**1,130,545,797**	**423,551,030**	**706,994,767**

Estimated Valuation Adjustments		
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact		(21,233,197) [3]
Adjusted Incremental Secured and Unsecured		685,761,570
Gross Increment Revenue @	1.00930% [4]	6,921,392
Unitary Revenue [5]		15,334
Supplemental Roll [6]		0
Offsets to Gross Estimated Revenue		
Administrative Expenses [7]		(69,214)
Net Tax Increment Revenue		**6,867,512**
Low/Moderate Income Housing Set-Aside Revenue		(1,373,502)
Housing Tax Increment Revenue		**1,373,502**

[1] Assessed values provided by the County Assessor as of 1/1/09.

[2] Based on information provided by the County of San Diego Auditor/Controller report "Val File-04 PSVVP70@" as of 1/1/09.

[3] Based on pending appeals for FY 2008-2009 and 2009-2010, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Also includes a reduction for affordable housing projects that will result in property becoming tax-exempt. Actual reduction based on appeals will vary.

[4] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[5] Based on information for FY 2008-2009 provided by the County of San Diego Auditor/Controller.

[6] For purposes of this analysis, we have conservatively assumed that the supplemental roll will not add additional revenue.

[7] Estimated at 1.00% of the gross revenue for the Project Area.

D. LIMITATIONS

This Report contains a projection of tax increment revenues to be received by the Agency. The report is based on estimates, assumptions and other information developed from DTA's research and telephone discussions with County staff, as well as our understanding of County tax procedures. The sources of information and basis of the estimates are stated herein. While we believe that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. In addition, since the analyses contained herein are based on legislation and County procedures, which are inherently subject to uncertainty and variation depending on evolving events and policy changes, DTA cannot represent that the results presented herein will definitely be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved will vary from the projections.

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NORTH PARK
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:		**2009 2010**	**2010 2011**	**2011 2012**	**2012 2013**	**2013 2014**	**2014 2015**	**2015 2016**	**2016 2017**	**2017 2018**
Real Property [1]		$1,117,259,854	$1,096,026,657	$1,062,041,781	$1,036,665,661	$1,036,665,661	$1,047,032,317	$1,057,502,640	$1,068,077,667	$1,078,758,444
Estimated Real Property Value Increase [2]		0	0	0	0	10,366,657	10,470,323	10,575,026	10,680,777	10,787,584
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]		(21,233,197)	(33,984,876)	(25,376,121)	0	0	0	0	0	0
Total Real Property		1,096,026,657	1,062,041,781	1,036,665,661	1,036,665,661	1,047,032,317	1,057,502,640	1,068,077,667	1,078,758,444	1,089,546,028
Total Other Property [4]		13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943
Total Value		**1,109,312,600**	**1,075,327,724**	**1,049,951,604**	**1,049,951,604**	**1,060,318,260**	**1,070,788,583**	**1,081,363,610**	**1,092,044,387**	**1,102,831,971**
Incremental Value Over Base of:	$423,551,030	685,761,570	651,776,694	626,400,574	626,400,574	636,767,230	647,237,553	657,812,580	668,493,357	679,280,941
Gross Revenue [5]		6,921,392	6,517,767	6,264,006	6,264,006	6,367,672	6,472,376	6,578,126	6,684,934	6,792,809
Unitary Revenue		15,334	15,334	15,334	15,334	15,334	15,334	15,334	15,334	15,334
Adjustments to Gross Revenue										
Supplemental Roll		0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [6]		(69,214)	(65,178)	(62,640)	(62,640)	(63,677)	(64,724)	(65,781)	(66,849)	(67,928)
Net Tax Increment Revenue		**6,867,512**	**6,467,924**	**6,216,700**	**6,216,700**	**6,319,330**	**6,422,986**	**6,527,679**	**6,633,419**	**6,740,216**
Low/Moderate Income Housing Set-Aside Revenue		(1,373,502)	(1,293,585)	(1,243,340)	(1,243,340)	(1,263,866)	(1,284,597)	(1,305,536)	(1,326,684)	(1,348,043)
Housing Tax Increment Revenue		**1,373,502**	**1,293,585**	**1,243,340**	**1,243,340**	**1,263,866**	**1,284,597**	**1,305,536**	**1,326,684**	**1,348,043**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/08. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2009-2010 and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the Total Real Property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 3% and 2% for FY 2010-2011 and 2011-2012, respectively. In addition, FY 2009-2010, FY 2010-2011, and FY 2011-2012 include reductions for the Pathfinders of San Diego, Arbor Crest North, and Boulevard at North Park affordable housing projects which are anticipated to become tax-exempt.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-10 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

NORTH PARK
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:		**2018 2019**	**2019 2020**	**2020 2021**	**2021 2022**	**2022 2023**	**2023 2024**	**2024 2025**	**2025 2026**	**2026 2027**
Real Property [1]		$1,089,546,028	$1,100,441,488	$1,122,450,318	$1,144,899,324	$1,167,797,311	$1,191,153,257	$1,214,976,322	$1,239,275,849	$1,264,061,366
Estimated Real Property Value Increase [2]		10,895,460	22,008,830	22,449,006	22,897,986	23,355,946	23,823,065	24,299,526	24,785,517	25,281,227
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]		0	0	0	0	0	0	0	0	0
Total Real Property		1,100,441,488	1,122,450,318	1,144,899,324	1,167,797,311	1,191,153,257	1,214,976,322	1,239,275,849	1,264,061,366	1,289,342,593
Total Other Property [4]		13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943
Total Value		**1,113,727,431**	**1,135,736,261**	**1,158,185,267**	**1,181,083,254**	**1,204,439,200**	**1,228,262,265**	**1,252,561,792**	**1,277,347,309**	**1,302,628,536**
Incremental Value Over Base of:	$423,551,030	690,176,401	712,185,231	734,634,237	757,532,224	780,888,170	804,711,235	829,010,762	853,796,279	879,077,506
Gross Revenue [5]		6,901,764	7,121,852	7,346,342	7,575,322	7,808,882	8,047,112	8,290,108	8,537,963	8,790,775
Unitary Revenue		15,334	15,334	15,334	15,334	15,334	15,334	15,334	15,334	15,334
Adjustments to Gross Revenue										
Supplemental Roll		0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [6]		(69,018)	(71,219)	(73,463)	(75,753)	(78,089)	(80,471)	(82,901)	(85,380)	(87,908)
Net Tax Increment Revenue		**6,848,081**	**7,065,968**	**7,288,213**	**7,514,903**	**7,746,127**	**7,981,976**	**8,222,541**	**8,467,918**	**8,718,202**
Low/Moderate Income Housing Set-Aside Revenue		(1,369,616)	(1,413,194)	(1,457,643)	(1,502,981)	(1,549,225)	(1,596,395)	(1,644,508)	(1,693,584)	(1,743,640)
Housing Tax Increment Revenue		**1,369,616**	**1,413,194**	**1,457,643**	**1,502,981**	**1,549,225**	**1,596,395**	**1,644,508**	**1,693,584**	**1,743,640**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/08. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2009-2010 and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the Total Real Property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 3% and 2% for FY 2010-2011 and 2011-2012, respectively. In addition, FY 2009-2010, FY 2010-2011, and FY 2011-2012 include reductions for the Pathfinders of San Diego, Arbor Crest North, and Boulevard at North Park affordable housing projects which are anticipated to become tax-exempt.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-10 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

NORTH PARK
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

				YEAR 30						
Fiscal Year Ending:		**2027 2028**	**2028 2029**	**2029 2030**	**2030 2031**	**2031 2032**	**2032 2033**	**2033 2034**	**2034 2035**	**2035 2036**
Real Property [1]		$1,289,342,593	$1,315,129,445	$1,341,432,034	$1,368,260,674	$1,395,625,888	$1,423,538,406	$1,452,009,174	$1,481,049,357	$1,510,670,344
Estimated Real Property Value Increase [2]		25,786,852	26,302,589	26,828,641	27,365,213	27,912,518	28,470,768	29,040,183	29,620,987	30,213,407
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]		0	0	0	0	0	0	0	0	0
Total Real Property		1,315,129,445	1,341,432,034	1,368,260,674	1,395,625,888	1,423,538,406	1,452,009,174	1,481,049,357	1,510,670,344	1,540,883,751
Total Other Property [4]		13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943
Total Value		**1,328,415,388**	**1,354,717,977**	**1,381,546,617**	**1,408,911,831**	**1,436,824,349**	**1,465,295,117**	**1,494,335,300**	**1,523,956,287**	**1,554,169,694**
Incremental Value Over Base of:	$423,551,030	904,864,358	931,166,947	957,995,587	985,360,801	1,013,273,319	1,041,744,087	1,070,784,270	1,100,405,257	1,130,618,664
Gross Revenue [5]		9,048,644	9,311,669	9,579,956	9,853,608	10,132,733	10,417,441	10,707,843	11,004,053	11,306,187
Unitary Revenue		15,334	15,334	15,334	15,334	15,334	15,334	15,334	15,334	15,334
Adjustments to Gross Revenue										
Supplemental Roll		0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [6]		(90,486)	(93,117)	(95,800)	(98,536)	(101,327)	(104,174)	(107,078)	(110,041)	(113,062)
Net Tax Increment Revenue		**8,973,492**	**9,233,887**	**9,499,491**	**9,770,406**	**10,046,740**	**10,328,601**	**10,616,099**	**10,909,346**	**11,208,459**
Low/Moderate Income Housing Set-Aside Revenue		(1,794,698)	(1,846,777)	(1,899,898)	(1,954,081)	(2,009,348)	(2,065,720)	(2,123,220)	(2,181,869)	(2,241,692)
Housing Tax Increment Revenue		**1,794,698**	**1,846,777**	**1,899,898**	**1,954,081**	**2,009,348**	**2,065,720**	**2,123,220**	**2,181,869**	**2,241,692**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/08. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2009-2010 and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the Total Real Property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 3% and 2% for FY 2010-2011 and 2011-2012, respectively. In addition, FY 2009-2010, FY 2010-2011, and FY 2011-2012 include reductions for the Pathfinders of San Diego, Arbor Crest North, and Boulevard at North Park affordable housing projects which are anticipated to become tax-exempt.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-10 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

NORTH PARK
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:		**2036 2037**	**2037 2038**	**2038 2039**	**2039 2040**	**2040 2041**	**2041 2042**	**2042 2043**
Real Property [1]		$1,540,883,751	$1,571,701,426	$1,603,135,455	$1,635,198,164	$1,667,902,127	$1,701,260,170	$1,735,285,373
Estimated Real Property Value Increase [2]		30,817,675	31,434,029	32,062,709	32,703,963	33,358,043	34,025,203	34,705,707
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]		0	0	0	0	0	0	0
Total Real Property		1,571,701,426	1,603,135,455	1,635,198,164	1,667,902,127	1,701,260,170	1,735,285,373	1,769,991,081
Total Other Property [4]		13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943	13,285,943
Total Value		**1,584,987,369**	**1,616,421,398**	**1,648,484,107**	**1,681,188,070**	**1,714,546,113**	**1,748,571,316**	**1,783,277,024**
Incremental Value Over Base of:	$423,551,030	1,161,436,339	1,192,870,368	1,224,933,077	1,257,637,040	1,290,995,083	1,325,020,286	1,359,725,994
Gross Revenue [5]		11,614,363	11,928,704	12,249,331	12,576,370	12,909,951	13,250,203	13,597,260
Unitary Revenue		15,334	15,334	15,334	15,334	15,334	15,334	15,334
Adjustments to Gross Revenue								
Supplemental Roll		0	0	0	0	0	0	0
Property Tax Administrative Fee [6]		(116,144)	(119,287)	(122,493)	(125,764)	(129,100)	(132,502)	(135,973)
Net Tax Increment Revenue		**11,513,554**	**11,824,751**	**12,142,172**	**12,465,941**	**12,796,186**	**13,133,035**	**13,476,622**
Low/Moderate Income Housing Set-Aside Revenue		(2,302,711)	(2,364,950)	(2,428,434)	(2,493,188)	(2,559,237)	(2,626,607)	(2,695,324)
Housing Tax Increment Revenue		**2,302,711**	**2,364,950**	**2,428,434**	**2,493,188**	**2,559,237**	**2,626,607**	**2,695,324**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/08. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2009-2010 and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the Total Real Property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 3% and 2% for FY 2010-2011 and 2011-2012, respectively. In addition, FY 2009-2010, FY 2010-2011, and FY 2011-2012 include reductions for the Pathfinders of San Diego, Arbor Crest North, and Boulevard at North Park affordable housing projects which are anticipated to become tax-exempt.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-10 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

EXHIBIT G

SAN YSIDRO

FISCAL CONSULTANT REPORT
SAN YSIDRO REDEVELOPMENT PROJECT AREA

Prepared for

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
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EXHIBITS

A. TAX INCREMENT REVENUE PROJECTION

I. INTRODUCTION

The Redevelopment Agency of the City of San Diego (the "Agency") anticipates issuing three series of Tax Allocation Bonds in the summer of 2010 to be secured by tax increment revenues from the San Ysidro Project Area (the "Project Area") as explained in Section I.C below. David Taussig & Associates, Inc. ("DTA") has prepared this Fiscal Consultant Report (the "Report") to project tax increment revenues generated by the increase in assessed value of real and personal property within the Project Area. In addition, the Report describes the methodology and assumptions utilized in these projections, evaluating the historic and current taxable values, the projected values of new construction, the effects of pending assessment appeals, and the property tax collection and allocation procedures of the County of San Diego (the "County").

A. San Ysidro Project Area Background

The Ordinance approving the Redevelopment Plan (the "Plan") for the Project Area was adopted by the City Council of the City of San Diego on April 16, 1996 (accomplished by Ordinance No. 18295) and subsequently amended on July 18, 2006 (the "First Amendment"). The main purpose of establishing the Plan was to promote economic growth enhancement, infrastructure improvement, expansion of employment and recreational opportunities, preservation and expansion of housing stock, and retention and expansion of existing neighborhood supporting businesses.

The Plan will remain in effect until thirty (30) years from the date of adoption. Pursuant to subdivision (a)(1) of Section 33333.2 of the Health and Safety Code, the time limit on the establishment of loans, advances, and bonded indebtedness to be funded through tax increment revenues is twenty (20) years from the adoption of the Plan. Also, total outstanding bonded indebtedness of the Project Area to be repaid by the allocation of taxes to the Agency is not to exceed $75 million at any point in time. In accordance with subdivision (a)(3) of Section 33333.2 of the Health and Safety Code, the time limit for the receipt of tax increment revenues is forty-five (45) years. Please note that the Agency and the City of San Diego adopted Ordinance 19516 in July 2006 extending (i) the plan effectiveness deadline to 2027, (ii) repayment of indebtedness deadline to 2042, and (iii) tax increment receipt deadline by an additional year. Please see below for a chart summarizing the above information.

Ordinance Adopted	Tax Increment Collection Limit	Amount of Tax Increment Collected to Date	Maximum Amount of Bonded Indebtedness	Maximum Time Allowed to Incur Bonded Indebtedness
April 16, 1996 [1]	46 Years [2]	$25,172,845 [3]	$75 Million	20 Years from Adoption of Plan

[1] The Project Area is a post AB 1290 project area as discussed in Section III.F below.
[2] The time limit for the repayment of indebtedness is also 46 years.
[3] Total receipts for Fiscal Year 1999-2000 through 2008-2009 as shown in Table 9.

The Project Area is administered by the City Redevelopment Division of the Community and Economic Development Department. The Project Area encompasses approximately 766 acres located at the juncture of Interstates 5 and 805 near the United States-Mexico border. Specifically, the boundaries of the Project Area are Del Sur Boulevard and Caithness Drive to the north, East Beyer Boulevard to the east, the Tijuana River Levee to the west, and Mexico to the south.

B. Comprehensive Affordable Housing Collaborative

In 2006 the Agency approved the pooling of the housing set-aside funds from the Redevelopment Division's eleven project areas for an Affordable Housing Opportunity Program to provide greater flexibility in financing affordable housing projects throughout the City of San Diego. In July 2007, the Agency approved four separate non-revolving housing lines of credit with San Diego National Bank in an aggregate amount of $34 million secured by the housing set-aside funds from four project areas: City Heights ($11 million); Naval Training Center ($7.1 million); North Bay ($8.6 million); and North Park ($7.3 million). Of the $34 million, $29 million was allocated to the Affordable Housing Opportunity Program. The Affordable Housing Opportunity Program has provided approximately $26 million for affordable housing projects in the North Park, San Ysidro, Barrio Logan, Crossroads, and City Heights project areas.

Housing proceeds from the Series 2010 Bonds not needed for housing programs or developer repayments in the Project Area will be available for projects in other project areas through the Comprehensive Affordable Housing Collaborative Program.

C. Proposed Series 2010 Bonds

The Agency anticipates issuing three series of tax allocation bonds in the summer of 2010: one stand-alone taxable series secured by non-housing tax increment revenues, one stand-alone tax-exempt series secured by non-housing tax increment revenues, and one pooled taxable series secured by housing tax increment revenues from the Project Area and the City Heights, Crossroads, Naval Training Center, North Bay, and North Park project areas.

The taxable proceeds of the stand-alone bonds supported by non-housing tax increment are expected to be used for repayment of developer loans, private improvements, acquisition, rehabilitation, façade enhancement, new construction or opportunity purchases in the Project Area. The tax-exempt proceeds of the stand-alone bonds will be used for public improvements. The proceeds of the pooled housing bonds are expected to be used for repaying bank lines of credit and to finance a portion of the costs for low and moderate income affordable housing projects within or of benefit to the project areas listed above.

D. Current Uses of Tax Increment Revenues

The following items represent current uses of annual net tax increment revenues after payments are made for AB 1290 pass-throughs.

1. Agency Debt to the City

a. Community Development Block Grant Program

In 2008, the Office of Inspector General ("OIG") of the U.S. Department of Housing and Urban Development ("HUD") audited the City's Community Development Block Grant ("CDBG") program and issued an audit report to HUD which recommended that the City initiate repayment plans for CDBG loans to the Agency. City and Agency staff worked with HUD representatives over the past year to develop a plan to address the OIG's findings and have agreed upon a 10 year repayment schedule for the CDBG program. A February 2010 report to the Agency Board and the City Council recommended that staff be directed to prepare a CDBG Loan Repayment Agreement between the Agency and the City for future Board and City Council approval. It was also recommended that the terms of the proposed Repayment Agreement include the following provisions, among others: 1) that all repayments made by the Agency pursuant to the Repayment Agreement and all obligations and any indebtedness of the Agency to the City created by the Repayment Agreement shall be subordinate to any pledge of tax increment to bond holders of any tax allocation bonds which have been or may be issued by the Agency; and 2) that repayments by the Agency may be made using tax increment funds, land proceeds, or other revenues of the Agency.

The total amount of outstanding CDBG loans for the Project Area as of June 30, 2009 is approximately $1.7 million, of which approximately $737,000 is principal. Loans from the City were provided in the years preceding and immediately following the adoption of the Project Area, to pay the costs associated with adoption and administration of the Project Area until a sufficient stream of tax increment revenue was generated.

b. Non-CDBG Debt

Non-CDBG debt includes loans from the City's sales tax, capital outlay, TransNet (transportation), and general funds. The City utilized sales tax funds to pay for administrative costs in the Project Area. The City's funding of the Project Area was recorded as an interest bearing loan to the Agency.

The Project Area has approximately $5,900 in outstanding non-CDBG related debt to the City as of June 30, 2009, of which approximately $2,400 is principal. Loans from the City were provided in the years preceding and immediately following the adoption of the Project Area, to pay the costs associated with adoption and administration of the Project Area until a sufficient stream of tax increment revenue was generated.

II. PROJECT TAXABLE VALUES

The County of San Diego Assessor (the "Assessor") determines the assessed valuations of real and personal property in the Project Area. The secured roll is the County Assessor's roll, which contains real property for which ad valorem taxes are secured by a lien on the property, and the unsecured roll contains business personal property, for which ad valorem taxes are not secured by a lien. The County assigns values to each Assessor's Parcel, which is listed in turn by an Assessor's Parcel Number ("APN"). The County Assessor releases the equalized County Assessor's roll on or prior to the first of July of each Fiscal Year. At this time, the Auditor Controller compiles the tax roll based on this information. The Auditor Controller assigns each APN to a Tax Rate Area ("TRA"), which is a geographic area containing Assessor's Parcels with the same tax rates. The Project Area includes three TRAs: 008-084, 008-247, 008-248, and 008-249. The Auditor Controller is responsible for combining the assessed values provided by the Assessor for all APNs within the Project Area and releasing a report each July showing the secured and unsecured values for the current and base year as well as the incremental value for the entire Project Area.

Based on discussions with the County Auditor and County Assessor, there are discrepancies in the total net assessed values due to procedural differences and timing of obtaining the data. Please note that Table 1 is based on values provided by the County Auditor. Since the County Assessor's secured values are lower than the Auditor's values, we have conservatively used the lower secured values in Tables 2, 3, 10, and 11 and the tax increment projections in Tables 12 and Exhibit A. The secured assessed values shown in Tables 12 and Exhibit A are based on the County Assessor assessed values and the unsecured assessed values shown in these tables are based on the County Auditor values. Please note that the Fiscal Year 2009-2010 assessed values shown herein are dated as of January 1, 2009.

A. HISTORIC TAXABLE VALUES

DTA researched historic secured and unsecured taxable values in the Project Area for Fiscal Years 1997-1998 through 2009-2010. These values, which are based on information provided by the County of San Diego Auditor Controller, are shown in Table 1. As listed in the table, the Fiscal Year 1997-1998 base year value for the Project Area is approximately $201 million. The total secured and unsecured value for the Project Area has risen from nearly $188 million for Fiscal Year 1997-1998 to over $728 million for Fiscal Year 2009-2010, an increase of approximately 287%.

As shown in Table 1 below, assessed values for property located within the Project Area experienced double-digit percentage increases in Fiscal Year 2001-2002 and from Fiscal Year 2005-2006 through Fiscal Year 2006-2007, as well as in Fiscal Year 2008-09. Much of this annual increase can be attributed to value changes due to changes in ownership and new development since Fiscal Year 1997-1998.

In Fiscal Year 2009-2010, property located within the Project Area experienced a decline in value of approximately 6% from Fiscal Year 2008-2009. Most of the

reduction in value was due to assessment appeals, increases in exemptions, and Proposition 8 reductions made by the County Assessor. Please see Section II.E below for more information regarding the decline in value for Fiscal Year 2009-2010.

TABLE 1
HISTORICAL TAX INCREMENT VALUES [1]

	FY 1997-1998 Taxable Value	FY 1998-1999 Taxable Value	FY 1999-2000 Taxable Value	FY 2000-2001 Taxable Value	FY 2001-2002 Taxable Value	FY 2002-2003 Taxable Value	FY 2003-2004 Taxable Value	FY 2004-2005 Taxable Value	Year 10 FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	FY 2008-2009 Taxable Value	FY 2009-2010 Taxable Value
Secured Values [2]													
Land	$88,166,186	$89,861,180	$92,477,589	$102,032,170	$123,588,284	$136,509,238	$144,787,569	$157,533,422	$204,199,595	$253,020,268	$267,629,952	$327,176,042	$321,720,277
Improvement	$123,883,125	$128,015,039	$133,905,860	$140,884,475	$169,715,817	$218,354,021	$232,643,169	$249,709,274	$286,116,018	$326,702,460	$339,712,959	$475,127,217	$483,313,046
Personal Property	$2,310,382	$1,933,523	$1,954,761	$1,787,166	$2,052,748	$1,751,673	$599,303	$345,439	$599,434	$550,990	$613,815	$405,069	$382,096
Gross Value	$214,359,693	$219,809,742	$228,338,210	$244,703,811	$295,356,849	$356,614,932	$378,030,041	$407,588,135	$490,915,047	$580,273,718	$607,956,726	$802,708,328	$805,415,419
Less Exemptions	($26,041,599)	($26,856,874)	($27,553,847)	($29,730,314)	($13,127,422)	($54,484,228)	($55,014,496)	($56,516,593)	($58,098,604)	($59,213,664)	($60,703,915)	($61,189,583)	($113,868,984)
Total Secured	**$188,318,094**	**$192,952,868**	**$200,784,363**	**$214,973,497**	**$282,229,427**	**$302,130,704**	**$323,015,545**	**$351,071,542**	**$432,816,443**	**$521,060,054**	**$547,252,811**	**$741,518,745**	**$691,546,435**
Unsecured Values [2]													
Land	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Improvement	$0	$5,397,604	$5,487,532	$6,594,915	$7,616,822	$9,844,770	$10,511,166	$11,367,720	$11,132,887	$14,517,651	$16,537,607	$16,130,120	$17,377,593
Personal Property	$0	$5,341,263	$5,382,396	$5,387,060	$6,425,561	$10,022,726	$14,627,750	$14,960,999	$14,085,654	$18,474,788	$19,102,677	$20,231,093	$21,490,786
Gross Value	$0	$10,738,867	$10,869,928	$11,981,975	$14,042,383	$19,867,496	$25,138,916	$26,328,719	$25,218,541	$32,992,439	$35,640,284	$36,361,213	$38,868,379
Less Exemptions	$0	($22,861)	($57,878)	($71,909)	($136,892)	$0	($1,813,631)	($1,439,014)	($685,990)	($1,626,275)	($1,553,239)	($1,241,615)	($1,619,913)
Total Unsecured	**$0**	**$10,716,006**	**$10,812,050**	**$11,910,066**	**$13,905,491**	**$19,867,496**	**$23,325,285**	**$24,889,705**	**$24,532,551**	**$31,366,164**	**$34,087,045**	**$35,119,598**	**$37,248,466**
Total Secured and Unsecured	**$188,318,094**	**$203,668,874**	**$211,596,413**	**$226,883,563**	**$296,134,918**	**$321,998,200**	**$346,340,830**	**$375,961,247**	**$457,348,994**	**$552,426,218**	**$581,339,856**	**$776,638,343**	**$728,794,901**
Percentage Change in Total Value	NA	8.15%	3.89%	7.22%	30.52%	8.73%	7.56%	8.55%	21.65%	20.79%	5.23%	33.59%	-6.16%
Base Year Value	**$200,636,959**	**$200,636,959**	**$200,636,959**	**$200,636,959**	**$200,636,959**	**$200,636,959**	**$200,636,959**	**$200,636,959**	**$200,636,959**	**$200,636,959**	**$200,636,959**	**$200,636,959**	**$200,636,959**
Incremental Value	**($12,318,865)**	**$3,031,915**	**$10,959,454**	**$26,246,604**	**$95,497,959**	**$121,361,241**	**$145,703,871**	**$175,324,288**	**$256,712,035**	**$351,789,259**	**$380,702,897**	**$576,001,384**	**$528,157,942**
Percentage Change in Incremental Value	NA	-124.61%	261.47%	139.49%	263.85%	27.08%	20.06%	20.33%	46.42%	37.04%	8.22%	51.30%	-8.31%

[1] Assessed values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] Based on information provided by the County of San Diego Auditor/Controller as indicated in "Report Val File-04 PSVVP70@".

Note: Table 1 is based on values provided by the Auditor while Tables 2, 3, 10, and 11 are based on values provided by the County Assessor. Based on discussions with the County Auditor/Controller and County Assessor, discrepancies in the total net assessed values are due to procedural differences and timing in obtaining exemption data.

B. Values by Land Use Type

The Project Area includes a combination of land uses based on an analysis of the Fiscal Year 2009-2010 Assessor's roll. This allocation indicates that 27.24% of the Project Area valuation is attributable to residential land uses (including 17.48% of multifamily residential land use and 7.19% of single family residential land use), 71.59% of the value is attributable to commercial property (of which 47.92% is retail and 13.62% is office space), 1.16% is attributable to industrial, institutional, recreation and miscellaneous property. The breakdown by land use type is shown in Table 2.

TABLE 2
FY 2009-2010 ASSESSED VALUE BY LAND USE

Land Use [1]	No. of Parcels [1]	Units	Secured Total Net Assessed Value [2]	Percent of Net Assessed Value
Residential Property (land use codes 06 through 19)				
Vacant Residential	121	0	$17,103,411	2.48%
Single Family Residential	296	300	$49,612,866	7.19%
Manufactured Home	1	1	$180,929	0.03%
Multi-Family Residential	349	2,595	$120,569,164	17.48%
Miscellaneous	5	4	$394,490	0.06%
Subtotal	772	2,900	$187,860,860	27.24%
Commercial Property (land use codes 20 through 39)				
Office Space	75	NA	$93,898,156	13.62%
Retail	28	NA	$330,427,735	47.92%
Vacant Land	29	NA	$9,259,858	1.34%
Other Uses	41	NA	$60,079,002	8.71%
Subtotal	173	NA	$493,664,751	71.59%
Industrial Property (land use codes 40 through 49)	10	NA	$2,088,741	0.30%
Farm / Rural Land (land use codes 50 through 65)	1	NA	$23,840	0.00%
Institutional Property (land use codes 70 through 79)	12	NA	$2,110,738	0.31%
Miscellaneous Use (land use codes 88 through 89 and 00)	1	NA	$3,816,505	0.55%
Total	**969**	**2,900**	**$689,565,435**	**100.00%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-2010 Assesssor's Roll.
[2] Based on final FY 2009-2010 Assessor's Roll. Land use codes provided by the County Assessor.

Note: Table 1 is based on values provided by the Auditor while Tables 2, 3, 10, and 11 are based on values provided by the County Assessor. Based on discussions with the County Auditor/Controller and County Assessor, discrepancies in the total net assessed values are due to procedural differences and timing in obtaining exemption data.

C. Ten Major Assessees

Table 3 presents the top ten assessees from the Fiscal Year 2009-2010 equalized roll. The table shows the assessee name/owner, the land use of Assessor's Parcels under their ownership, the number of Assessor's Parcels under their ownership, the total net assessed valuation under their ownership, the percentage of the total Project Area assessed value represented by that owner's property, and the percentage of the total Project Area incremental value represented by the applicable owner's property.

As of May 10, 2010, all top ten assessees are current in the payment of their property taxes.

Chelsea San Diego, one of the top assessees, appealed the value of two of their parcels in Fiscal Year 2008-2009. The appeal was resolved and resulted in a reduction of $12,205,000 after the Fiscal 2009-10 Assessor's Roll was finalized. Chelsea San Diego Finance, LLC has since filed an additional appeal, contesting that the value of the two aforementioned parcels should be reduced further. This appeal has not been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 92% of the contested value. FS San Ysidro, another top assessee, has also filed an appeal, contesting that the value of three of their five parcels should be reduced. As this appeal has not been resolved, DTA has assumed the appeal is resolved in favor of the applicant at a rate of 92% of the contested value.

In addition, four parcels owned by SYG Venture and Ueta of California/SYG Venture, two of the top assessees with a total net assessed value of $17,783,634, are within the GSA Border Reconfiguration Project and will be removed from the project area starting in Fiscal Year 2010-2011, as shown in Table 12 and Exhibit A. Lastly, the parcel owned by Barratt American Inc. with a total net assessed value of $10,083,512 will be used for affordable housing purposes and become tax-exempt starting in Fiscal Year 2009-2010, as shown in Table 12 and Exhibit A.

TABLE 3
FY 2009-2010 TOP TEN ASSESSEES [1]

Owner [1]	Land Use	No. of Parcels	Total Secured Net Assessed Value [2]	Percent of Secured Total Net Value	Percent of Incremental Value
Chelsea San Diego Finance LLC [3][4]	Retail	9	$288,868,848	41.89%	54.69%
FS San Ysidro LLC [5]	Retail	5	$34,834,740	5.05%	6.60%
Border Station Partners LP	Garage/Parking Lot/Used Car Lot	1	$12,750,000	1.85%	2.41%
SYG Venture [6]	Garage/Parking Lot/Used Car Lot	3	$12,293,383	1.78%	2.33%
Project Bay Exchange LLC / FS San Ysidro LLC	Store Building	1	$11,040,806	1.60%	2.09%
Barratt American Inc [7]	Vacant Residential	1	$10,083,512	1.46%	1.91%
Border Properties LTD	Retail	4	$7,706,566	1.12%	1.46%
Sotal Ocotillo Inc.	Hotel/Motel	2	$7,344,000	1.07%	1.39%
Prebys Conrad Trust 12-17-1982	Multi-Family Residential	2	$6,418,403	0.93%	1.22%
Ueta of California / SYG Venture [6]	Store Building	1	$5,490,251	0.80%	1.04%
Grand Total	**NA**	**29**	**$396,830,509**	**57.55%**	**75.13%**

SECURED TOTAL NET ASSESSED VALUE OF TOP 5 OWNERS:	**$359,787,777**
SECURED TOTAL NET ASSESSED VALUE OF TOP 10 OWNERS:	**$396,830,509**
SECURED TOTAL NET ASSESSED VALUE:	**$689,565,435**
TOTAL TAX INCREMENT VALUE:	**$528,157,942**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL SECURED NET VALUE:	**52.18%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL TAX INCREMENT VALUE:	**68.12%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL SECURED NET VALUE:	**57.55%**
PERCENTAGE OF SECURED ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL TAX INCREMENT VALUE:	**75.13%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2009-2010 Assesssor's Roll.

[2] Based on final FY 2009-2010 Assessor's Roll.

[3] Includes parcels that are leased to other entities based on the FY 2009-2010 Assessor's Roll. Based on delinquency data provided by the County, all of the FY 2009-2010 property taxes for parcels owned by Chelsea San Diego Finance LLC have been paid in full.

[4] As shown in the Appeals section, Chelsea San Diego Finance LLC contested the value of two parcels in FY 2008-2009 which resulted in a reduction in value of $12,205,000 after the FY 2009-2010 Assessor's Roll was finalized. In addition, Chelsea San Diego Finance LLC filed an additional appeal to further reduce the value of one of the two parcels mentioned above. DTA has assumed the appeal is resolved in favor of the applicant with a reduction of $12,703,488, which equals 92% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[5] As shown in the Appeals section, FS San Ysidro LLC contests that the value of 3 of its 5 parcels should be reduced by $4,324,822. For purposes of this analysis, DTA has assumed the appeal is resolved in favor of the applicant with a reduction of $1,585,986, which equals 92% of the contested value as described in the Appeals section. The reduced value is not shown above, but has been reflected in the tax increment projections herein.

[6] The parcels owned by SYG Venture and Ueta of California/SYG Venture are within the GSA Border Reconfiguration Project and will be removed from the Project Area starting in FY 2010-2011 as shown in the tax increment projections herein.

[7] The parcel owned by Barratt American Inc. will be used for affordable housing and became tax-exempt during FY 2009-2010. The tax-exempt status for the the parcel has been reflected in the tax increment projections herein.

D. ASSESSMENT APPEALS

1. INTRODUCTION

If a property owner believes that the valuation determined by the County Assessor is in error, an appeal may be filed with the County Assessment Appeals Board during a period between July and November of each fiscal year. A resolved appeal may produce a reduction in the original contested value and a refund to the property owner. If the appeal is withdrawn, there is no change in the original value.

During a real estate market downturn, the market value of property may fall below the assessed value. Under State law, Proposition 8 allows property owners to apply for a temporary reduction in assessed value to match the current market value. As market values increase, the assessed property values will also increase up to the original assessed value (plus the annual California Consumer Price Index ("CPI") increase, not to exceed 2%, as stipulated by Proposition 13).

In addition, the County Assessor's office allows property owners to file a Proposition 8 reduction request to their area appraiser between January and May of each fiscal year in order to reduce the assessed value of their property without having to file an assessment appeal with the County Assessment Appeals Board, otherwise known as an informal review. The County Assessor's office provides this option to property owners in order to limit the number of assessment appeals requiring hearing dates with the County Assessment Appeals Board. In order to calculate the reduced assessed value, the area appraiser will use several variables, including the date of construction, land use type, and recent comparable sales from the surrounding area.

A property owner may file multiple appeals for one parcel (for the same or different fiscal year), resulting in a parcel having several appeals being reviewed by the County Assessment Appeals Board at any time. Based on discussions with the County Assessment Appeals Board, in cases where multiple appeals have been filed on one parcel, typically one appeal will be resolved and subsequent appeals will not result in further reductions of value. Therefore, for purposes of this analysis, DTA has assumed only one appeal resulted in a reduction in value, and subsequent pending appeals will result in no change in value.

As of March 8, 2010, there were 54 unresolved appeals for 47 parcels within the Project Area. Tables 4 through 7 show recent historical assessment appeals in the Project Area, providing the following information: fiscal year in which appeal was received, land use, owner/applicant name, number of parcels being appealed by owner/applicant, whether or not appeal is for Proposition 8, number of pending appeals included in our analysis (when

multiple appeals have been filed on one parcel), the status of the appeal, the contested assessed value, the applicant's opinion of value, the proposed changed value for pending appeals or board approved value for resolved appeals, and the impact of the changed values.

2. APPEALS INFORMATION PROVIDED BY THE COUNTY

The County Assessor has provided the following information for inclusion in this Fiscal Consultant Report.

> For Fiscal Year 2009-2010, the County Assessor's office received approximately 32,000 applications County-wide for reductions of assessed values of real property during their "informal" review process (1/1/2009 – 5/30/2009) for such fiscal year. In addition to the 32,000 informal applications, the County Assessor's office was proactive and, on its own, reduced the assessed values for approximately 72,000 properties County-wide. Less than 3,500 of the 104,000 total reductions were for non-residential properties. When the County Assessor's office receives a large number of requests from a specific area, such as a condominium complex or subdivision of tract homes, the County Assessor may choose to review the entire complex or the entire tract.
>
> In addition to the 104,000 reductions discussed above, over 6,447 "formal" assessment appeal applications were received for Fiscal Year 2009-2010 during the County's formal review period (7/2/2009 – 11/30/2009) for such fiscal year. Because these appeals are going through the County's formal process, any reductions to value will take longer to appear on the tax roll than reductions made through the County's informal appeal process described above.
>
> For the Fiscal Year 2010-2011 roll, the County Assessor estimated a County-wide reduction in net assessed value of approximately 1.0% from the Fiscal Year 2009-2010 roll. This reduction is based on economic factors such as lower sales prices, reduced levels of new construction, Fiscal Year 2009-2010 appeals/reductions, as well as the 0.237% decline in the CPI which will be applied to all property subject to Proposition 13 (rather than the typical 2% annual increase). For Fiscal Year 2011-2012, the County Assessor estimates a County-wide reduction similar to Fiscal Year 2010-2011, based on historical trends.
>
> In order to estimate the magnitude of the Fiscal Year 2010-2011 change in value for the Project Area, DTA compared the Project Area reduction in value from Fiscal Year 2008-2009 to Fiscal Year 2009-2010 to the County-wide reduction in value for the same period.

Based on discussions with the Agency, the Project Area is anticipated to experience declines that are significantly larger than the County-wide average due to project specific factors. Therefore, we have assumed a reduction in value of 6% and 4% for Fiscal Years 2010-2011 and 2011-2012, respectively. The chart below summarizes the reduction in assessed values and its impact on incremental value.

Fiscal Year	Approximate County-wide Change in Assessed Value [1]	Project Area Change in Assessed Value	Project Area Change in Incremental Value
Actual 2009-2010	-3%	-6%	-8%
Estimated 2010-2011	-1%	-6%	-10%
Estimated 2011-2012	-1%	-4%	-5%
[1] Based on information provided by the County of San Diego Assessor's Office.			

3. Historical Appeal Reductions

For purposes of the analysis, DTA researched the pending and recently resolved assessment appeals to determine how tax refunds as a result of appeals might reduce the tax increment received by the Agency from the Project Area.

For purposes of this analysis, DTA has excluded any appeals that were withdrawn by the applicant. In addition, DTA has assumed that pending appeals resulted in a reduced value equal to the greater of the applicant's opinion of value or 92% of the contested value. The estimated reduction for pending appeals is based on an analysis of resolved assessment appeal data for property in the Project Area and other project specific factors and estimated County-wide value reductions going forward as explained in Section II.D.2 above.

4. Fiscal Year 2007-2008 Appeals

During Fiscal Year 2007-2008, a total of 11 appeals were filed in the Project Area as shown in Table 4. Five appeals were resolved with no change in value for Fiscal Year 2007-2008. Six appeals with a total Fiscal Year 2007-2008 assessed value of $30,300,106 were resolved with a reduction in value of $8,195,106 for Fiscal Year 2007-2008, a 27.04% decline.

TABLE 4
FY 2007-2008 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals	*0*	*0*	*0*	*$0*	*$0*	*$0*	*$0*	*0.00%*
Resolved Appeals								
Residential								
BARRATT AMERICAN HOMES [2]	1	1		$9,691,958	$4,860,000	$7,290,000	($2,401,958)	-24.78%
TEN ALVERSON LLC	1	1		$1,234,200	$715,000	$715,000	($519,200)	-42.07%
INDIVIDUAL HOMEOWNERS	8	8		$3,991,557	$2,431,833	$3,742,609	($248,948)	-6.24%
Subtotal - Residential	10	10	NA	$14,917,715	$8,006,833	$11,747,609	($3,170,106)	-21.25%
Non-Residential								
BORDER STATION PARTNERS L.P.	1	0		$17,525,000	$10,860,395	$12,500,000	($5,025,000)	-28.67%
Subtotal - Non-Residential	1	0	NA	$17,525,000	$10,860,395	$12,500,000	($5,025,000)	-28.67%
Pending Appeals	0	0	0	$0	$0	$0	$0	0.00%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	10	9	NA	$22,750,757	$14,007,228	$16,957,609	($5,793,148)	-25.46%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	1	1	NA	$9,691,958	$4,860,000	$7,290,000	($2,401,958)	-24.78%
Total FY 2007-2008 Pending and Resolved Appeals	11	10	NA	$32,442,715	$18,867,228	$24,247,609	($8,195,106)	-25.26%

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resolved in favor of the applicant at a rate of 92% of the contested value, based on resolved assessment appeals data for property in the Project Area since FY 2006-2007. Actual resolved appeals in the Project Area since FY 2006-2007 resulted in an average reduction of 9.5%.

[2] Parcel owned by Barratt American Inc. (also shown as Bank of America), one of the top ten assessees as shown in Table 3. The parcel will be used for affordable housing and became tax-exempt during FY 2009-2010. The tax-exempt status for the parcel has been reflected in Table 10 and Exhibit A. Therefore, DTA has not included the reductions from the above appeals in Table 10 and Exhibit A.

5. Fiscal Year 2008-2009 Appeals

During Fiscal Year 2008-2009, a total of 45 appeals were filed Project Area as shown in Table 5. Two appeals were resolved with no change in value for Fiscal Year 2008-2009. Twenty appeals with a total Fiscal Year 2008-2009 assessed value of $262,287,526 were resolved with a total reduction in value of $14,034,526 for Fiscal Year 2008-2009, a 5.35% decline.

For the remaining 23 pending appeals through Fiscal Year 2008-2009 with a combined total Fiscal Year 2008-2009 assessed value of $37,473,763, DTA has estimated a total reduction of $2,074,572 which represents 5.54% of the contested value as described in Section II.D.3 above.

TABLE 5
FY 2008-2009 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis [2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals								
Residential								
BANK OF AMERICA [2, 3]	1	1	0	$9,885,797	$4,942,000	$9,885,797	$0	0.00%
IGAL GORDON LLC	2	2	2	$1,322,280	$793,368	$1,216,498	($105,782)	-8.00%
PRESIDIO MORTGAGE INC	2	2	2	$469,200	$100,000	$431,664	($37,536)	-8.00%
RIO VISTA LLC	3	3	3	$1,016,940	$750,000	$935,585	($81,355)	-8.00%
INDIVIDUAL HOMEOWNERS [1]	10	9	10	$4,164,020	$2,481,199	$3,963,363	($200,657)	-4.82%
Subtotal - Residential	18	17	17	$16,858,237	$9,066,567	$16,432,907	($425,330)	-2.52%
Non-Residential								
BARBARA CABALLERO	2	2	2	$790,704	$400,000	$727,448	($63,256)	-8.00%
WESTWOOD FINANCIAL CORP [4]	3	0	3	$19,824,822	$15,500,000	$18,238,836	($1,585,986)	-8.00%
Subtotal - Non-Residential	5	2	5	$20,615,526	$15,900,000	$18,966,284	($1,649,242)	-8.00%
Resolved Appeals								
Residential								
IGAL GORDON LLC	1	1		$363,867	$218,318	$363,867	$0	$0
INDIVIDUAL HOMEOWNERS	19	19		$6,872,736	$4,406,145	$5,043,210	($1,829,526)	-26.62%
Subtotal - Residential	20	20	NA	$7,236,603	$4,624,463	$5,407,077	($1,829,526)	-25.28%
Non-Residential								
CHELSEA SAN DIEGO FINANCE LLC	2	0		$255,828,000	$219,978,000	$243,623,000	($12,205,000)	-4.77%
Subtotal - Non-Residential	2	0	NA	$255,828,000	$219,978,000	$243,623,000	($12,205,000)	-4.77%
Pending Appeals	23	19	22	$37,473,763	$24,966,567	$35,399,191	($2,074,572)	-5.54%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	17	17	NA	$5,733,665	$3,573,566	$4,312,077	($1,421,588)	-24.79%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	5	3	NA	$257,330,938	$221,028,897	$244,718,000	($12,612,938)	-4.90%
Total FY 2008-2009 Pending and Resolved Appeals	45	39	NA	$300,538,366	$249,569,030	$284,429,268	($16,109,098)	-5.36%

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resolved in favor of the applicant at a rate of 92% of the contested value, based on resolved assessment appeals data for property in the Project Area since FY 2006-2007. Actual resolved appeals in the Project Area since FY 2006-2007 resulted in an average reduction of 9.5%.
[2] A parcel may have multiple appeals filed by a property owner. For purposes of this analysis, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.
[3] Parcel owned by Barratt American Inc. (also shown as Bank of America), one of the top ten assessees as shown in Table 3. The parcel will be used for affordable housing and became tax-exempt during FY 2009-2010. The tax-exempt status for the parcel has been reflected in Table 10 and Exhibit A. Therefore, DTA has not included the reductions from the above appeals in Table 10 and Exhibit A.
[4] Parcels owned by FS San Ysidro, one of the top ten assessees as shown in Table 3.

6. Fiscal Year 2009-2010 Appeals

During Fiscal Year 2009-2010, a total of 32 appeals were filed Project Area as shown in Table 6. One appeal with a total Fiscal Year 2009-20010 assessed value of $2,732,056 was resolved with a total reduction in value of $532,056 for Fiscal Year 2009-2010, a 19.47% decline.

For the remaining 31 pending appeals through Fiscal Year 2009-2010 with a combined total Fiscal Year 2009-2010 assessed value of $184,802,792, DTA has estimated a total reduction of $14,375,420 which represents 7.88% of the contested value as described in Section II.D.3 above.

TABLE 6
FY 2009-2010 ASSESSMENT APPEALS

Land Use/Applicant Name	Number of Appeals	Number of Prop 8 Appeals	Number of Pending Appeals Included in Analysis [2]	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change	Percentage Change of Assessed Value
Pending Appeals								
Residential								
BANK OF AMERICA [3]	1	1	1	$7,290,000	$2,500,000	$6,706,800	($583,200)	-8.00%
IGAL GORDON LLC [2]	3	3	1	$1,558,724	$815,405	$1,541,924	($16,800)	-1.08%
PRESIDIO MORTGAGE, INC. [2]	2	2	0	$469,200	$100,000	$469,200	$0	0.00%
INDIVIDUAL HOMEOWNERS [1, 2]	20	20	16	$6,237,974	$4,265,404	$6,002,306	($235,668)	-3.78%
Subtotal - Residential	26	26	18	$15,555,898	$7,680,809	$14,720,230	($835,668)	-5.37%
Non-Residential								
CARLOS/GUADALUPE SANCHEZ/FERNANDEZ	1	1	1	$1,694,815	$900,000	$1,559,230	($135,585)	-8.00%
CHELSEA SAN DIEGO FINANCE LLC	1	1	1	$158,793,600	$65,793,000	$146,090,112	($12,703,488)	-8.00%
MICHAEL & PATRICIA ST CLAIR	1	1	1	$1,124,346	$785,000	$1,034,398	($89,948)	-8.00%
S E C V D & I INC ET AL	1	1	1	$3,067,880	$1,227,000	$2,822,450	($245,430)	-8.00%
SAN YSIDRO MOTEL INVESTMENTS INC	1	1	1	$4,566,253	$1,827,000	$4,200,953	($365,300)	-8.00%
Subtotal - Non Residential	5	5	5	$169,246,894	$70,532,000	$155,707,142	($13,539,752)	-8.00%
Resolved Appeals								
Non-Residential								
US BANK/US BANK NATIONAL ASSOCIATION	1	1		$2,732,056	$1,366,029	$2,200,000	($532,056)	-19.47%
Subtotal - Non-Residential	1	1	NA	$2,732,056	$1,366,029	$2,200,000	($532,056)	-19.47%
Pending Appeals	31	31	23	$184,802,792	$78,212,809	$170,427,372	($14,375,420)	-7.78%
Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll	0	0	NA	$0	$0	$0	$0	0.00%
Resolved Appeals After Final FY 2009-2010 Assessor Roll	1	1	NA	$2,732,056	$1,366,029	$2,200,000	($532,056)	-19.47%
Total FY 2009-2010 Pending and Resolved Appeals	32	32	NA	$187,534,848	$79,578,838	$172,627,372	($14,907,476)	-7.95%
Grand Total - Pending Appeals				**$208,864,990**	**$96,774,145**	**$192,414,998**	**($16,449,992)**	**-7.88%**
Grand Total - Resolved Appeals Prior to Final FY 2009-2010 Assessor Roll				**$27,851,043**	**$17,212,476**	**$20,717,819**	**($7,133,224)**	**-25.61%**
Grand Total - Resolved Appeals After Final FY 2009-2010 Assessor Roll				**$95,837,994**	**$82,408,926**	**$91,238,000**	**($4,599,994)**	**-4.80%**
GRAND TOTAL - Pending and Resolved Appeals				**$332,554,027**	**$196,395,547**	**$304,370,817**	**($28,183,210)**	**-8.47%**

[1] For any appeals that have not been resolved at this time, DTA has assumed the appeal resolved in favor of the applicant at a rate of 92% of the contested value, based on resolved assessment appeals data for property in the Project Area since FY 2006-2007. Actual resolved appeals in the Project Area since FY 2006-2007 resulted in an average reduction of 9.5%.
[2] A parcel may have multiple appeals filed by a property owner. For purposes of this analysis, we have assumed only one appeal resulted in a reduction in value and subsequent pending appeals will result in no change in value.
[3] Parcel owned by Barratt American Inc. (also shown as Bank of America), one of the top ten assessees as shown in Table 3. The parcel will be used for affordable housing and became tax-exempt during FY 2009-2010. The tax-exempt status for the parcel has been reflected in Table 10 and Exhibit A. Therefore, DTA has not included the reductions from the above appeals in Table 10 and Exhibit A.

8. Top Taxpayer Appeals

As indicated in Table 3, two of the top ten assessees, Chelsea San Diego Finance LLC and FS San Ysidro LLC, have appealed their assessed value for one or more Assessor's Parcels that they currently own.

Chelsea San Diego Finance LLC contested the Fiscal Year 2008-09 value of two of their parcels which resulted in a reduction in value of $12,205,000 after the Fiscal Year 2009-2010 Assessor's Roll was finalized. In addition, Chelsea San Diego Finance LLC filed an additional appeal to further reduce the value of one of the two parcels mentioned above. This appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 92% of the contested value as described in Section II.D.3 above.

In addition, FS San Ysidro LLC has contested that the Fiscal Year 2009-10 assessed value of three of their parcels should be reduced by $4,324,822. This appeal has not yet been resolved by the County, but DTA has assumed the appeal is resolved in favor of the applicant at a rate of 92% of the contested value as described in Section II.D.3 above.

E. Projections of Total Assessed Values

Due to the fact that the current real estate market downturn may last for several years, we have estimated an annual reduction of assessed values through Fiscal Year 2011-2012. As discussed in Section II.D.2 above, we have assumed a reduction in value of 6% and 4% for Fiscal Years 2010-2011 and 2011-2012, respectively. We have then assumed no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter. However, we are not showing the increase in values back to base values for any value reductions other than the 1% and 2% annual increases as described above. It is important to note that the actual reduction to tax increment for future years may be higher or lower for a number of different reasons, including filing of additional appeals in future years.

III. PROJECT TAX INCREMENT REVENUE ALLOCATION

A. TAX RATES

Tax increment revenues in this analysis are calculated by applying the tax rate determined by the County Assessor to the annual incremental assessed value of the Project Area. The general ad valorem tax rate is $1 per $100 of assessed value. In addition to this rate, an override rate reflects the debt service for various agencies which have issued bonds in the Project Area. Pursuant to Section 33670 (e) of the Health and Safety Code, approved on November 8, 1988, tax increment revenues cannot be calculated using property taxes generated from voter-approved bonded indebtedness on or following January 1, 1989. Table 7 shows the Fiscal Year 2009-2010 rates in the Project Area, separating the override amounts attributed to bonded indebtedness by participating agencies which excludes those that started levying a charge after January 1, 1989. Thus, the Fiscal Year 2009-2010 tax rate used to calculate tax increment in the Project Area is $1.00930 per $100 of assessed value. DTA assumes a secured tax rate of $1.00 per $100 after Fiscal Year 2009-2010 as the override rates usually decline over time as values increase and bonded indebtedness is paid off.

TABLE 7
SUMMARY OF PARTICIPATING AND NON-PARTICIPATING AGENCIES

	FY 2008-2009 Rates		FY 2009-2010 Rates	
Participating Agencies [1]	**TRAs 008-084, 008-247, 008-248, 008-249 [3]**	**TRA 008-994 [3]**	**TRAs 008-084, 008-247, 008-248, 008-249 [3]**	**TRA 008-994 [3]**
	1.00000%	1.00000%	1.00000%	1.00000%
City of San Diego Zoological Exhibit	0.00500%	0.00500%	0.00500%	0.00500%
San Ysidro State School Buildings	0.00000%	0.00000%	0.00000%	0.00000%
Metropolitan Water District	0.00430%	0.00000%	0.00430%	0.00000%
County Water Authority	0.00000%	0.00000%	0.00000%	0.00000%
Subtotal	1.00930%	1.00500%	1.00930%	1.00500%
Non-Participating Agencies [2]				
San Diego City Public Safety	0.00108%	0.00108%	0.00113%	0.00113%
General Bond San Ysidro 90-97 Series A	0.01440%	0.01440%	0.01523%	0.01523%
General Bond San Ysidro 90-97 Series B	0.01246%	0.01246%	0.01368%	0.01368%
General Bond San Ysidro 90-97 Series C	0.01701%	0.01701%	0.01842%	0.01842%
General Bond San Ysidro 90-97 Series D	0.01422%	0.01422%	0.01715%	0.01715%
General Bond San Ysidro 90-97 Series E	0.00879%	0.00879%	0.02324%	0.02324%
General Bond San Ysidro 90-97 Series F	0.03312%	0.03312%	0.01228%	0.01228%
High School Bond Series 2000-A	0.00469%	0.00469%	0.00593%	0.00593%
High School Bond Series 2000-B	0.00659%	0.00659%	0.00753%	0.00753%
High School Bond Series 2000-C	0.00991%	0.00991%	0.01311%	0.01311%
High School Bond Series 2006	0.02502%	0.02502%	0.02923%	0.02923%
SW Community College Series 2000	0.00538%	0.00538%	0.00555%	0.00555%
SW Community College Series 2004	0.00000%	0.00000%	0.00000%	0.00000%
SW Community College Series 2005-B	0.00782%	0.00782%	0.00937%	0.00937%
SW Community College Series 2009-A	0.00000%	0.00000%	0.00489%	0.00489%
SW Community College Series 2009-B	0.00000%	0.00000%	0.01461%	0.01461%
Subtotal	0.16049%	0.16049%	0.19135%	0.19135%
Grand Total	**1.16979%**	**1.16549%**	**1.20065%**	**1.19635%**

[1] Agencies that began levying an annual charge before January 1, 1989.
[2] Agencies that have been levying an annual charge after January 1, 1989.
[3] Tax rates based on information provided by the San Diego County Auditor/Controller. Please note that TRA 008-084 does not encompass any parcels based on the County of San Diego Assessor's Roll as of 1/1/2009. In addition, there is no value associated with the 59 parcels in TRA 008-994.

B. Supplemental Taxes, Delinquencies, Penalties, Interest

Supplemental property taxes are a result of change in ownership of property or new construction. They are based on the difference between the prior year value and the new value and can represent either a positive or negative impact to the Project Area value. They are allocated to the Agency throughout the year and included in the ten apportionments made each year to the Agency by the Auditor Controller. The history of supplemental tax receipts in the Project Area is shown in Table 8. To be conservative, future supplemental assessments are not projected.

TABLE 8
ALLOCATION ADJUSTMENTS [1]

Year	Supplemental Roll	Roll Corrections	Refunds/Adjustments	Delinquencies/ Penalties	Total Adjustments
1998-1999 [2]	($1,898.66)	($320.29)	($670.34)	$0.00	($2,889.29)
1999-2000	$45,333.72	($902.01)	($4,470.86)	$792.05	$40,752.90
2000-2001	$334,875.95	$1,401.44	($18,974.92)	$2,218.47	$319,520.94
2001-2002	$226,727.89	($14,894.96)	($21,114.50)	$5,447.24	$196,165.67
2002-2003	$218,552.83	($305.13)	($16,365.08)	$17,133.86	$219,016.48
2003-2004	$212,456.33	($1,687.37)	($17,094.39)	$21,065.68	$214,740.25
2004-2005	$297,191.54	($489.09)	($25,932.42)	$22,777.32	$293,547.35
2005-2006	$746,717.78	($196.09)	($48,015.28)	$30,286.08	$728,792.49
2006-2007	$389,899.81	($2,017.81)	($51,996.31)	$49,397.64	$385,283.33
2007-2008	$155,546.14	$2,318.69	($19,101.75)	$93,503.89	$232,266.97
2008-2009	$1,168,327.85	($20,011.64)	($86,901.45)	$148,205.68	$1,209,620.44

[1] Based on information in the Agency Trust Fund Summary, prepared by the San Diego County Auditor-Controller.
[2] Fiscal Year 1998-1999 reflects the first year tax increment monies were collected.

Tax increment payments can also be adjusted due to roll corrections, delinquencies, penalties, and interest. Property taxes on assessed valuations that are reduced due to later assessment appeals result in refunds for the taxes paid based on the original value. The historical status of these adjustments is also shown in Table 8.

The historical percentage of tax receipts to the actual amount of taxes levied is shown in Table 9. Please note that the total tax receipts collected often exceed the amount levied due to collection of penalties and interest.

TABLE 9
HISTORIC RECEIPTS TO LEVY ANALYSIS [1]

Fiscal Year Ending:	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009
I. Reported Assessed Value										
Total Project Value [2]	$211,596,413	$226,883,563	$296,134,918	$321,998,200	$346,340,830	$375,961,247	$457,348,994	$552,426,218	$581,339,856	$776,638,343
Less Base Value	$200,636,959	$200,636,959	$200,636,959	$200,636,959	$200,636,959	$200,636,959	$200,636,959	$200,636,959	$200,636,959	$200,636,959
Incremental Value	$10,959,454	$26,246,604	$95,497,959	$121,361,241	$145,703,871	$175,324,288	$256,712,035	$351,789,259	$380,702,897	$576,001,384
Tax Rate	1.07084%	1.07306%	1.07255%	1.06784%	1.07188%	1.01080%	1.01020%	1.00970%	1.00950%	1.00930%
II. Gross Tax Increment	$117,358	$281,642	$1,024,263	$1,295,944	$1,561,771	$1,772,178	$2,593,305	$3,552,016	$3,843,196	$5,813,582
Unitary Revenue	$0	$0	$434	$413	$607	$615	$619	$1,322	$9,322	$9,589
County Administrative Expenses	($3,882)	($5,333)	($5,016)	($9,099)	($12,508)	($16,559)	($21,919)	($28,604)	($27,670)	($52,885)
Total Computed Levy	$113,476	$276,309	$1,019,681	$1,287,258	$1,549,870	$1,756,234	$2,572,005	$3,524,734	$3,824,847	$5,770,286
III. Total Receipts [3]	$150,714	$592,067	$1,370,428	$1,498,609	$1,747,607	$2,032,658	$3,256,436	$3,823,632	$3,920,010	$6,780,684
Surplus/(Shortfall)	$37,238	$315,758	$350,747	$211,351	$197,737	$276,423	$684,431	$298,898	$95,162	$1,010,398
% Difference of Computed Levy [3]	132.82%	214.28%	134.40%	116.42%	112.76%	115.74%	126.61%	108.48%	102.49%	117.51%

[1] Fiscal Year 1999-2000 reflects the first year tax increment monies were collected.
[2] Based on total secured and unsecured value for the Project provided by the San Diego County Auditor/Controller as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for Fiscal Year 2009-2010)
[3] Actual receipts collected often exceed the amount levied due to penalties and interest collected by the Agency.

C. UNITARY TAXES

The State Board of Equalization ("SBE") establishes the taxable value of real and personal property of utilities, and since Fiscal Year 1988-1989, the values have been assessed as a Countywide unit. There are several qualifications to the unitary revenue disbursement: a taxing agency is entitled to receive the same amount of revenue as the previous year as well as an increase of up to 2%, unless unitary revenues decrease below a level adequate to provide each taxing agency with the same share as the prior year. In this case, the unitary revenues will be reduced pro rata to all agencies. The other component of unitary allocation is significant when the assessed valuation of unitary taxes increases by more than 2% in one year, in which case revenues are allocated according to the percentage that each taxing agency in the County receives for secured taxable values. As of Fiscal Year 1988-1989, when the allocation procedures changed, it was determined that a taxing agency that was created after Fiscal Year 1988-1989 was not entitled to receive unitary revenues. Due to the abovementioned procedure, no unitary revenues were received in years prior to the creation of the Project Area in 1996.

Unitary revenue for the Project Area received as of June 30, 2009 was $9,589. The Project Area received a proportion of the increased amount as it was entitled to receive a share of the revenues. Assuming that the unitary revenues will stay at a constant level in future years, DTA is conservatively estimating that the Project Area will continue to receive the same amount.

D. ADMINISTRATIVE CHARGES

Senate Bills 2557 and 1559 allow counties to determine property tax administrative charges to local agencies in the proportion that is attributable to their property tax administrative costs to the County. The average administrative charge from Fiscal Year 2004-2005 through Fiscal Year 2008-2009 was approximately 0.86% of gross incremental revenue.

DTA has conservatively estimated the charge for future years to be 1.00% of gross incremental revenue. Tables 12 and Exhibit A show the administrative charge as a deduction to the gross revenue in the Project Area.

E. Low and Moderate Income Housing Set Aside

In accordance with Community Redevelopment Law (Health and Safety Code, Section 33000 *et seq.*), the Agency is required to set aside 20% of all tax increment revenues into a low and moderate income housing fund. For purposes of this analysis, DTA assumes that the Agency will continue to set aside 20% of the tax increment in order to improve, add to, or maintain the City of San Diego's supply of low and moderate income housing in future years. Exhibit A, which projects future tax increment revenues for the Project Area, indicates the amount set aside for low and moderate income housing each year as a separate line item. The housing revenues are pledged to pay debt service on the proposed pooled housing bonds described in Section I.B.

F. AB 1290 Payments to Affected Taxing Entities

Assembly Bill 1290 ("AB 1290") was effective as of January 1, 1994 and was significant in that it put an end to the ability of public agencies to enter into "pass through agreements." Instead, the amounts to be paid to the affected taxing agencies are automatically set at the statutory levels indicated in the table below. Fiscal Year 1996-1997 is considered to be Year 1. AB 1290 requires that payments be collected until the last fiscal year in which the agency receives tax increment. For purposes of this analysis, Exhibit A shows the tax increment projections for the Project Area through Fiscal Year 2041-2042.

Plan Years	Level 1	Level 2	Level 3
1 – End (FY 1996-1997 to FY 2041-42)	25% of the increment less the low and moderate income housing set aside (or 20% of the gross increment).		
11 – End (FY 2006-2007 to FY 2041-42)	Same as Above PLUS	Using the assessed value in Year 10 as a first adjusted base year assessed value, 21% of the increment less the low and moderate income housing set aside (or 16.8% of the gross increment).	
31 – End (FY 2026-2027 to FY 2041-42)	Same as Above PLUS	Same as Above PLUS	Using the assessed value in Year 30 as a first adjusted base year assessed value, 14% of the increment less the low and moderate income housing set aside (or 11.2% of the gross increment).

G. Property Tax Delinquencies and Foreclosures

Delinquency information for the Project Area was researched with the County on March 3, 2010. As of this date, 76 parcels (8.38% of the total parcels) in the Project Area had a delinquency rate of 2.98% in the payment of secured Fiscal Year 2009-2010 property taxes to the County Tax Collector.

Information regarding foreclosure proceedings for residential parcels within zip code 92173, which fully encompass the Project Area, but also includes areas outside the Project Area, was researched through RealtyTrac on May 13, 2010. As of this date, 463 residential properties had Notices of Default recorded with the County of San Diego, 720 residential properties were undergoing a trustee's sale, and 546 residential properties were bank-owned. Please note that zip code 92173 encompass over 7,500 residential units while the Project Area encompasses 2,900 residential units. Therefore, the actual number of residential properties within the Project Area which are affected by foreclosure proceedings will be less than stated above.

H. EDUCATIONAL REVENUE AUGMENTATION FUND ("ERAF")

In connection with its approval of the budget for Fiscal Years 1992-1993 through 1994-1995, the State Legislature enacted legislation which reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit to ERAF. For Fiscal Year 2008-2009, the State Legislature adopted AB 1389 which required redevelopment agencies to pay into ERAF an aggregate amount of $350 million. Of the $350 million, the Agency's share was approximately $11.5 million and the Project Area's share was $284,000. However, a suit filed in superior court in Sacramento by the California Redevelopment Association, along with two local redevelopment agencies and John Shirey, the Executive Director of the California Redevelopment Association, rendered portions of AB 1389 invalid, including the requirement for the Agency to make the Fiscal Year 2008-2009 ERAF payment. The State filed a notice of intent to appeal the ruling of the superior court, but the appeal was subsequently dropped by the State.

In July 2009, the State Legislature adopted AB 26 which required redevelopment agencies to pay into their respective County Supplemental Educational Revenue Augmentation Fund ("SERAF") an aggregate amount of $1.7 billion in Fiscal Year 2009-2010, of which approximately $56 million was the Agency's share, and an additional $350 million in Fiscal Year 2010-2011, of which approximately $11.5 million is the Agency's share. In October 2009, the California Redevelopment Association filed a lawsuit challenging the validity of AB 26. On May 4, 2010, the court issued a ruling denying the petition of the California Redevelopment Association and denying a stay of transfer of funds from the redevelopment agencies to the counties. On May 5, 2010, the CRA and other agencies decided to appeal the ruling. The Agency cannot determine whether the appeal will be successful.

On May 10, 2010, the Agency made the payment equal to approximately $56 million for the Fiscal Year 2009-2010 SERAF payment allocated to the Agency. Of this amount, approximately $1,358,000 was allocated to the Project Area. The payment was made with prior-year Project Area non-housing tax increment revenues on hand. The Agency expects that it will be required to make a Fiscal Year 2010-2011 SERAF payment of approximately $11.5 million on May 10, 2011. Of this amount, approximately $279,000 will be allocated to the Project Area. This payment will also be paid from prior-year Project Area non-housing tax increment revenues on hand. It is unknown whether there will be additional future ERAF or SERAF payments.

IV. PROJECT TAX INCREMENT PROJECTIONS

A. Changes in Assessed Values

Tables 10 and 11 present an analysis of the greatest changes in assessed value between Fiscal Years 2008-2009 and 2009-2010. As shown in Tables 10 and 11, the total assessed value for 169 residential parcels was reduced by $65,512,506 (percentage change from Fiscal Year 2008-2009 to Fiscal Year 2009-2010 is -67%) by the County Assessor for Fiscal Year 2009-2010 as a result of Proposition 8 reductions, increased exemptions, and changes in ownership. Of the remaining residential parcels in the Project Area, 276 parcels increased in value by the 2% inflation factor for Fiscal year 2009-2010 and 218 parcels were increased in value by greater amounts. The remaining 105 residential parcels either increased by less than the 2% inflation factor or remained unchanged from Fiscal Year 2008-2009. In total, residential parcels in the Project Area decreased in value for Fiscal Year 2009-2010 by $58,968,493, or 24% from the residential property values for Fiscal year 2008-2009. The Project Area decreased in total value by $49,986,310 (6.76%) for Fiscal Year 2009-2010.

More specifically, there were two property owners in the Project Area whose total value increased by $8,689,185 for Fiscal Year 2009-2010 due to the 2% inflation factor and a change in ownership. There was also one property owner in the Project Area for which total value decreased by $40,692,270 for Fiscal Year 2009-2010 due to an increase in the exempt value assigned by the County.

TABLE 10
LARGEST CHANGES IN SECURED ASSESSED VALUE
(TOP TEN INCREASES AND DECREASES)

Current Assessee	Reason for Change in Value	Parcels	FY 2008-2009 Secured Net Assessed Value [1]	FY 2009-2010 Secured Net Assessed Value [1]	Difference	Percent Change
Top Ten Parcels that Increased in Value						
Chelsea San Diego Finance LLC [4]	Proposition 13 Increase	9	$283,204,757	$288,868,848	$5,664,091	2.00%
Sotal Ocotillo Inc	Ownership Change	1	2,278,906	5,304,000	3,025,094	132.74%
Park Haven Apts No. 1 LP	New Construction	4	2,941,353	5,144,330	2,202,977	74.90%
Jade Group LLC	Ownership Change	2	557,247	2,500,000	1,942,753	348.63%
TJJ Investments LLC	Ownership Change	3	1,025,441	2,550,000	1,524,559	148.67%
George Ellis LLC	Ownership Change	3	76,417	1,030,200	953,783	1248.13%
FS San Ysidro LLC	Proposition 13 Increase	5	34,141,709	34,834,740	693,031	2.03%
Individual Owner	Ownership Change	1	491,450	1,124,346	632,896	128.78%
Individual Owner	New Construction	1	188,158	700,515	512,357	272.30%
Rehmani Exchange LLC	Ownership Change	3	1,497,649	1,988,225	490,576	32.76%
Subtotal		*32*	*326,403,087*	*344,045,204*	*17,642,117*	5.41%
Top Ten Parcels that Decreased in Value						
Steadfast Villa Nueva LP [3]	Increased Exemptions	1	41,150,000	457,730	(40,692,270)	-98.89%
Border Station Partners LP	Assessment Appeal	1	17,525,000	12,750,000	(4,775,000)	-27.25%
San Ysidro SNS LLC	Ownership Change	2	3,953,520	901,673	(3,051,847)	-77.19%
Sotal Ocotillo Inc	Ownership Change	1	3,193,173	2,040,000	(1,153,173)	-36.11%
Four Granger LLC	Ownership Change	1	1,234,200	237,000	(997,200)	-80.80%
Goodwill Industries of San Diego County [2]	Ownership Change	1	732,233	0	(732,233)	-100.00%
Individual Homeowner	Ownership Change	2	1,466,713	754,000	(712,713)	-48.59%
Federal Home Loan Mortgage Corp	Ownership Change	2	837,520	308,000	(529,520)	-63.22%
Alverson Street Residential LLC	Proposition 8 Reduction	4	1,310,000	786,000	(524,000)	-40.00%
First Franklin Mortgage Loan Trust	Ownership Change	1	764,694	330,000	(434,694)	-56.85%
Subtotal		*16*	*72,167,053*	*18,564,403*	*(53,602,650)*	*-74.28%*
All Other Parcels	NA	921	340,981,605	326,955,828	(14,025,777)	-4.11%
Total		**969**	**739,551,745**	**689,565,435**	**(49,986,310)**	**-6.76%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] Parcel became fully exempt following the change in ownership from Image Duty Free Services to Goodwill Industries of San Diego County.
[3] Parcel is classified as affordable housing and became partially exempt starting in FY 2009-2010.
[4] Chelsea San Diego Finance LLC is one of the top ten assessees.

TABLE 11
LARGEST CHANGES IN SECURED ASSESSED VALUE
(BY RESIDENTIAL AND NON-RESIDENTIAL CATEGORIES)

Current Assessee	Parcels	FY 2008-2009 Secured Net Assessed Value [1]	FY 2009-2010 Secured Net Assessed Value [1]	Difference	Percent Change
Residential					
Increase in Value (Greater Than 2%)	218	$44,019,134	$48,532,595	$4,513,461	10.25%
Increase in Value (Equal to 2%)	276	85,902,034	87,619,836	1,717,802	2.00%
Increase in Value (Less Than 2%)	34	17,697,991	18,010,741	312,750	1.77%
No change in Value [2]	71	574,243	574,243	0	0.00%
Decrease in Value from Prop 8 Reduction Appeals [3]	0	0	0	0	0.00%
Decrease in Value from Automatic Prop 8 Reductions [4]	133	43,432,220	25,184,021	(18,248,199)	-42.02%
Decrease in Value from Other Assessment Appeals [5]	0	0	0	0	0.00%
Decrease in Value (Increased Exemption) [6]	7	42,142,121	1,328,568	(40,813,553)	0.00%
Decrease in Value (Ownership Changed) [7]	29	11,933,284	5,482,530	(6,450,754)	-54.06%
Subtotal	768	245,701,027	186,732,534	(58,968,493)	-24.00%
Non-Residential					
Increase in Value (Greater Than 2%)	16	23,493,195	33,389,829	9,896,634	42.13%
Increase in Value (Equal to 2%)	154	436,076,886	444,798,303	8,721,417	2.00%
Increase in Value (Less Than 2%)	4	5,175,693	5,274,346	98,653	-27.25%
No change in Value [2]	13	0	0	0	0.00%
Decrease in Value from Prop 8 Reduction Appeals [3]	0	0	0	0	0.00%
Decrease in Value from Automatic Prop 8 Reductions [4]	2	2,279,702	2,046,608	(233,094)	-10.22%
Decrease in Value from Other Assessment Appeals [5]	1	17,525,000	12,750,000	(4,775,000)	-27.25%
Decrease in Value (Increased Exemption) [6]	0	0	0	0	0.00%
Decrease in Value (Ownership Changed) [7]	5	8,139,026	3,101,673	(5,037,353)	-61.89%
Subtotal	195	492,689,502	501,360,759	8,671,257	1.76%
New Residential Parcels [8]	4	NA	1,128,326	1,128,326	NA
New Non-Residential Parcels [8]	2	NA	343,816	343,816	NA
Superceded Parcels [9]	5	1,161,216	NA	(1,161,216)	NA
Total	**969**	**739,551,745**	**689,565,435**	**(49,986,310)**	**-6.76%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/09 for FY 2009-2010).
[2] A total of 68 residential parcels and 13 non-residential parcels had a Net Assessed Value of $0. Excludes parcels owned by public agencies based on final FY 2009-10 Assessor's Roll.
[3] Values based on the final Assessor's roll for each fiscal year. The reductions were a result of Proposition 8 appeals by property owners allowing a temporary reduction in assessed value based on decreasing market value.
[4] Based on discussions with the County appraiser, the reductions were due to automatic Proposition 8 reductions allowing a temporary reduction in assessed value based on decreasing market value.
[5] Values were reduced following successful assessment appeals by the property owners. The assessment appeals were not a result of a Proposition 8 temporary reduction in assessed value.
[6] Based on data from County Assessor, the decrease in value from FY 2008-2009 to FY 2009-2010 was due to an increase in the exemptions.
[7] Values based on the closed Assessor's roll for each fiscal year. Following the change in ownership, the County revised the assessed value of the parcels to reflect the market value.
[8] New parcels for FY 2009-2010 as a result of parcel changes from the prior year.
[9] FY 2008-2009 assessor parcels that did not have matching FY 2009-2010 parcel numbers.

B. NEW DEVELOPMENT

The table below summarizes new development that may increase assessed values within the Project Area in the future. For purposes of this analysis, however, we have conservatively assumed that there will not be any increase in assessed values for future years as a result of such new development within the Project Area.

Projects	Description
Las Americas West	Proposed 82,500-sf retail expansion of the existing Las Americas Shopping Center on an approximately 8-acre site at the southwest corner of Camino de la Plaza and Sipes Lane. The Sixth Implementation Agreement between the Agency and the Shamrock Group was approved in June 2009. The estimated assessed value at completion is $21 million. The project is slated for completion in 2011.
Las Americas East	Proposed expansion of the existing Las Americas Shopping Center on an approximately 7-acre site at the southwest corner of Camino de la Plaza and Virginia Street. The proposed project includes the development of approximately 102,300-sf of retail space, including associated parking and other commercial uses. The Seventh Implementation Agreement with the Shamrock Group is slated for Agency consideration in Summer 2010. The estimated assessed value at completion is $30 million. The project is slated for completion in late 2011.

The table below summarizes three new projects which will result in a reduction of assessed value due to property being classified by the County as non-taxable and removed from the tax roll. It is expected that the three projects will be owned and operated by a tax exempt non-profit entity. For purposes of this analysis, we have assumed a reduction of future assessed value equal to the Fiscal Year 2009-2010 taxable value of such properties.

Projects	Description
United States General Services Administration (GSA) San Ysidro Reconfiguration and Expansion of the Existing Port of Entry	The estimated $577 million expansion project consists of the demolition and new construction of most of the Port of Entry, including primary and secondary inpsection areas, administration building, pedestrian building and bridge, and other support structures. Phase I (land acquisition and demolition activities) is underway. The entire project is slated for completion by 2014. The seven parcels which constitute this federal government project will be removed from the Project Area. The Agency is also working with the County to adjust the base year value. The base year value and tax roll will be reduced by $10,530,371 and $20,542,539, respectively, starting in Fiscal Year 2010-2011.

Projects	Description
El Pedregal Family Apartments	A 45-unit affordable housing project (TCAC 9% tax credit project) on approximately 2.2-acres at north east corner West San Ysidro Boulevard & Averil Street . The two to three story rental project will be made available to households earning between 30% to 60% of AMI. The project was completed in May 2010. The total project cost is estimated at $18 million. This project's value was removed from the Fiscal Year 2009-2010 roll by the County Assessor's Office.
Verbena Family Apartments	An 80-unit affordable housing project (TCAC 9% tax credit project) on approximately 6.8-acres. The three-story triplexes with garages will be made available for households earning between 30-60% of AMI. Construction commenced in March 2010 and is slated for completion by June 2011. The project is expected to be removed from the project tax rolls. Value removed from the Fiscal Year 2009-2010 roll: $10,083,512.

C. Tax Increment Projections

Table 12 summarizes the Fiscal Year 2009-2010 assessed values and details how the net tax increment is calculated. Exhibit A projects the tax increment to be generated by the Project Area through Fiscal Year 2041-2042, which represents 46 years after the adoption of the Plan. DTA has estimated the future tax increment based on the Project Area assessed valuation for Fiscal Year 2009-2010, utilizing the assumptions stated herein regarding current adjustments to the increment.

For purposes of this analysis, we are using the Fiscal Year 2009-2010 County Assessor's secured assessed value, which is lower than the Auditor's secured value, to calculate the projected annual tax increment. As discussed in Section II.D above, Fiscal Year 2009-2010 includes a reduction in value for pending assessment appeals and assessment appeals which were resolved after the Fiscal Year 2009-2010 Assessor's Roll was finalized. As discussed in Section IV.B above, the tax increment projection includes a reduction in value due to property being classified by the County as non-taxable and removed from the tax roll. Beginning in Fiscal Year 2010-2011, the base value is reduced by $10,530,371 to $190,106,588, due to the parcels within the GSA Border Reconfiguration project being removed from the Project Area.

As discussed in Section II.D.2 above, the projections are based on a reduction in value of 6% and 4% for Fiscal Years 2010-2011 and 2011-2012, respectively. We have then assumed no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter. Other than the 1% and 2% annual increases as described above, we are not showing the increase in values back to base values for any value reductions. Actual reductions or increases in assessed value will vary.

The real property value described above is added to the value of personal property, which includes secured and unsecured personal property within the Project Area less

unsecured exemptions for Fiscal Year 2009-2010. The value of personal property is assumed to remain constant throughout the subsequent years.

Lastly, the incremental value is the difference between the total value and the base year value, and the tax rate used in the calculation of gross revenue for Fiscal Year 2009-2010 is the actual tax rate. This is assumed to decrease in subsequent years. Unitary revenue and administrative charges result in adjustments to the net tax increment, for which the assumptions were discussed previously. The set aside for low and moderate income housing and the AB 1290 pass through payments are shown as separate line items.

TABLE 12
FY 2009-2010 TAX INCREMENT REVENUE ESTIMATE

	FY 2009-2010 Taxable Value	Base Taxable Value	Incremental Taxable Value
Secured Values [1]			
Land	$321,720,277	$86,922,162	$234,798,115
Improvement	483,313,046	125,303,235	358,009,811
Personal Property	382,096	1,941,063	(1,558,967)
Gross Value	805,415,419	214,166,460	591,248,959
Less Exemptions	(115,849,984)	(23,960,052)	(91,889,932)
Total Secured	**689,565,435**	**190,206,408**	**499,359,027**
Unsecured Values [2]			
Land	0	0	0
Improvement	17,377,593	5,511,897	11,865,696
Personal Property	21,490,786	4,918,654	16,572,132
Gross Value	38,868,379	10,430,551	28,437,828
Less Exemptions	(1,619,913)	0	(1,619,913)
Total Unsecured	**37,248,466**	**10,430,551**	**26,817,915**
Total Secured and Unsecured	**726,813,901**	**200,636,959**	**526,176,942**

Estimated Valuation Adjustments			
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact		($30,550,298)	[3]
Adjusted Incremental Secured and Unsecured		$495,626,644	
Gross Increment Revenue @	1.00930% [4]	$5,002,360	
Unitary Revenue [5]		$9,589	
Supplemental Roll [6]		$0	
Offsets to Gross Estimated Revenue			
Administrative Expenses [7]		($50,024)	
Net Tax Increment Revenue		**$4,961,925**	
Low/Moderate Income Housing Set-Aside Revenue		($992,385)	
Taxing Agencies Pass Throughs (AB 1290) [8]		($1,405,581)	
Payments to Supplemental Educational Revenue Augmentation Fund (SERAF) [9]		$0	
Available Non-Housing Tax Increment Revenue		**$2,563,959**	
Available Housing Tax Increment Revenue		**$992,385**	

[1] Assessed values provided by the County Assessor as of 1/1/09.
[2] Based on information provided by the County of San Diego Auditor/Controller report "Val File-04 PSVVP70@" as of 1/1/09.
[3] FY 2009-2010 reduction based on pending appeals for FY 2008-09 and 2009-10, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Also includes a reduction for the Verbena Family Apartments project, owned by Barratt American Inc, which became a tax-exempt affordable housing project during FY 2009-2010. Actual reduction based on appeals will vary.
[4] For purposes of this analysis, we are using the FY 2009-2010 rate for TRAs 008-084, 008-247, 008-248, and 008-249. Please note that TRA 008-994 has a total net value of $0.
[5] Based on information for FY 2008-2009 provided by the County of San Diego Auditor/Controller.
[6] For purposes of this analysis, we have conservatively assumed that the supplemental roll will not add additional revenue.
[7] Estimated at 1.00% of the gross revenue for the Project Area.
[8] Based on Tier 1 pass through equal to 20% of Gross Increment Revenue plus Tier 2 pass through equal to 16.8% of Gross Increment Revenue using incremental value for Year 10 (FY 2005-2006) as a base value.
[9] The Agency was required to make an SERAF payment of approximately $1,358,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

D. LIMITATIONS

This Report contains a projection of tax increment revenues to be received by the Agency. The report is based on estimates, assumptions and other information provided by the City and developed from DTA's research and telephone discussions with County staff, as well as our understanding of County tax procedures. The sources of information and basis of the estimates are stated herein. While we believe that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. In addition, since the analyses contained herein are based on legislation and County procedures, which are inherently subject to uncertainty and variation depending on evolving events and policy changes, DTA cannot represent that the results presented herein will be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved will vary from the projections.

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SAN YSIDRO
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:			2009 2010	2010 2011	2011 2012	2012 2013	2013 2014	2014 2015	2015 2016	2016 2017	2017 2018
Real Property [1]			$706,560,932	$676,010,634	$614,907,457	$590,311,159	$590,311,159	$596,214,270	$602,176,413	$608,198,177	$614,280,159
Estimated Real Property Value Increase [2]			0	0	0	0	5,903,112	5,962,143	6,021,764	6,081,982	6,142,802
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]			(30,550,298)	(61,103,177)	(24,596,298)	0	0	0	0	0	0
Total Real Property			676,010,634	614,907,457	590,311,159	590,311,159	596,214,270	602,176,413	608,198,177	614,280,159	620,422,960
Total Other Property [4]			20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969
Total Value			**696,263,603**	**635,160,426**	**610,564,128**	**610,564,128**	**616,467,239**	**622,429,382**	**628,451,146**	**634,533,128**	**640,675,929**
Incremental Value Over Base of:	$200,636,959	[5]	495,626,644	445,053,838	420,457,540	420,457,540	426,360,651	432,322,794	438,344,558	444,426,540	450,569,341
Gross Revenue [6]			5,002,360	4,450,538	4,204,575	4,204,575	4,263,607	4,323,228	4,383,446	4,444,265	4,505,693
Unitary Revenue			$9,589	9,589	9,589	9,589	9,589	9,589	9,589	9,589	9,589
Adjustments to Gross Revenue											
Supplemental Roll			0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [7]			(50,024)	(44,505)	(42,046)	(42,046)	(42,636)	(43,232)	(43,834)	(44,443)	(45,057)
Net Tax Increment Revenue			**4,961,925**	**4,415,622**	**4,172,118**	**4,172,118**	**4,230,559**	**4,289,584**	**4,349,200**	**4,409,412**	**4,470,225**
Low/Moderate Income Housing Set-Aside Revenue			(992,385)	(883,124)	(834,424)	(834,424)	(846,112)	(857,917)	(869,840)	(881,882)	(894,045)
Taxing Agencies Pass Through (AB 1290) Tier 1 [8]			(1,000,472)	(890,108)	(840,915)	(840,915)	(852,721)	(864,646)	(876,689)	(888,853)	(901,139)
Taxing Agencies Pass Through (AB 1290) Tier 2 [8]			(405,109)	(312,403)	(271,082)	(271,082)	(280,999)	(291,015)	(301,132)	(311,349)	(321,669)
Taxing Agencies Pass Through (AB 1290) Tier 3 [8]			0	0	0	0	0	0	0	0	0
Payments to Supplemental Educational Revennue Augmentation Fund (SERAF) [9]			0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue			**2,563,959**	**2,329,986**	**2,225,698**	**2,225,698**	**2,250,727**	**2,276,007**	**2,301,539**	**2,327,327**	**2,353,372**
Available Housing Tax Increment Revenue			**992,385**	**883,124**	**834,424**	**834,424**	**846,112**	**857,917**	**869,840**	**881,882**	**894,045**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-09 and 2009-10, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 6% and 4% for FY 2010-2011 and 2011-2012, respectively. FY 2009-2010 also includes a reduction for the Verbena Family Apartments project, owned by Barratt American Inc, which became a tax-exempt affordable housing project during FY 2009-2010. In addition, FY 2010-2011 includes a reduction for seven parcels within the GSA Border Reconfiguration Project which are anticipated to be removed from the project area in FY 2010-2011.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] It is anticipated that the base value will be reduced to $190,106,588 in FY 2010-2011 due to the removal of parcels within the GSA Border Reconfiguration Project from the Project Area. The anticipated base value reduction is used starting in FY 2010-2011. Actual base value reduction may vary.

[6] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[7] Estimated at 1.00 percent of gross revenue for the Project Area.

[8] Based on 20% of "Gross Revenue" through FY 2041-2042. In addition, 16.8% of Gross Revenue is included from FY 2009-2010 through FY 2041-2042 using incremental value for Year 10 (FY 2005-2006) as a base value and 11.2% of Gross Revenue is included in FY 2041-2042 using incremental value for Year 30 (FY 2025-2026) as a base value.

[9] The Agency was required to make an SERAF payment of approximately $1,358,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

SAN YSIDRO
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:	2018 2019	2019 2020	2020 2021	2021 2022	2022 2023	2023 2024	2024 2025	**YEAR 30** 2025 2026	2026 2027
Real Property [1]	$620,422,960	$626,627,190	$639,159,734	$651,942,929	$664,981,787	$678,281,423	$691,847,051	$705,683,992	$719,797,672
Estimated Real Property Value Increase [2]	6,204,230	12,532,544	12,783,195	13,038,859	13,299,636	13,565,628	13,836,941	14,113,680	14,395,953
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]	0	0	0	0	0	0	0	0	0
Total Real Property	626,627,190	639,159,734	651,942,929	664,981,787	678,281,423	691,847,051	705,683,992	719,797,672	734,193,626
Total Other Property [4]	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969
Total Value	**646,880,159**	**659,412,703**	**672,195,898**	**685,234,756**	**698,534,392**	**712,100,020**	**725,936,961**	**740,050,641**	**754,446,595**
Incremental Value Over Base of: $200,636,959 [5]	456,773,571	469,306,115	482,089,310	495,128,168	508,427,804	521,993,432	535,830,373	549,944,053	564,340,007
Gross Revenue [6]	4,567,736	4,693,061	4,820,893	4,951,282	5,084,278	5,219,934	5,358,304	5,499,441	5,643,400
Unitary Revenue	9,589	9,589	9,589	9,589	9,589	9,589	9,589	9,589	9,589
Adjustments to Gross Revenue									
Supplemental Roll	0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [7]	(45,677)	(46,931)	(48,209)	(49,513)	(50,843)	(52,199)	(53,583)	(54,994)	(56,434)
Net Tax Increment Revenue	**4,531,647**	**4,655,719**	**4,782,273**	**4,911,358**	**5,043,024**	**5,177,324**	**5,314,309**	**5,454,035**	**5,596,555**
Low/Moderate Income Housing Set-Aside Revenue	(906,329)	(931,144)	(956,455)	(982,272)	(1,008,605)	(1,035,465)	(1,062,862)	(1,090,807)	(1,119,311)
Taxing Agencies Pass Through (AB 1290) Tier 1 [8]	(913,547)	(938,612)	(964,179)	(990,256)	(1,016,856)	(1,043,987)	(1,071,661)	(1,099,888)	(1,128,680)
Taxing Agencies Pass Through (AB 1290) Tier 2 [8]	(332,093)	(353,147)	(374,623)	(396,528)	(418,872)	(441,662)	(464,908)	(488,619)	(512,804)
Taxing Agencies Pass Through (AB 1290) Tier 3 [8]	0	0	0	0	0	0	0	0	(16,123)
Payments to Supplemental Educational Revennue Augmentation Fund (SERAF) [9]	0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue	**2,379,678**	**2,432,816**	**2,487,017**	**2,542,302**	**2,598,692**	**2,656,210**	**2,714,879**	**2,774,721**	**2,819,636**
Available Housing Tax Increment Revenue	**906,329**	**931,144**	**956,455**	**982,272**	**1,008,605**	**1,035,465**	**1,062,862**	**1,090,807**	**1,119,311**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-09 and 2009-10, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 6% and 4% for FY 2010-2011 and 2011-2012, respectively. FY 2009-2010 also includes a reduction for the Verbena Family Apartments project, owned by Barratt American Inc, which became a tax-exempt affordable housing project during FY 2009-2010. In addition, FY 2010-2011 includes a reduction for seven parcels within the GSA Border Reconfiguration Project which are anticipated to be removed from the project area in FY 2010-2011.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] It is anticipated that the base value will be reduced to $190,106,588 in FY 2010-2011 due to the removal of parcels within the GSA Border Reconfiguration Project from the Project Area. The anticipated base value reduction is used starting in FY 2010-2011. Actual base value reduction may vary.

[6] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[7] Estimated at 1.00 percent of gross revenue for the Project Area.

[8] Based on 20% of "Gross Revenue" through FY 2041-2042. In addition, 16.8% of Gross Revenue is included from FY 2009-2010 through FY 2041-2042 using incremental value for Year 10 (FY 2005-2006) as a base value and 11.2% of Gross Revenue is included in FY 2041-2042 using incremental value for Year 30 (FY 2025-2026) as a base value.

[9] The Agency was required to make an SERAF payment of approximately $1,358,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

SAN YSIDRO
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:			2027 2028	2028 2029	2029 2030	2030 2031	2031 2032	2032 2033	2033 2034	2034 2035	2035 2036
Real Property [1]			$734,193,626	$748,877,498	$763,855,048	$779,132,149	$794,714,792	$810,609,088	$826,821,270	$843,357,695	$860,224,849
Estimated Real Property Value Increase [2]			14,683,873	14,977,550	15,277,101	15,582,643	15,894,296	16,212,182	16,536,425	16,867,154	17,204,497
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]			0	0	0	0	0	0	0	0	0
Total Real Property			748,877,498	763,855,048	779,132,149	794,714,792	810,609,088	826,821,270	843,357,695	860,224,849	877,429,346
Total Other Property [4]			20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969
Total Value			**769,130,467**	**784,108,017**	**799,385,118**	**814,967,761**	**830,862,057**	**847,074,239**	**863,610,664**	**880,477,818**	**897,682,315**
Incremental Value Over Base of:	$200,636,959	[5]	579,023,879	594,001,429	609,278,530	624,861,173	640,755,469	656,967,651	673,504,076	690,371,230	707,575,727
Gross Revenue [6]			5,790,239	5,940,014	6,092,785	6,248,612	6,407,555	6,569,677	6,735,041	6,903,712	7,075,757
Unitary Revenue			9,589	9,589	9,589	9,589	9,589	9,589	9,589	9,589	9,589
Adjustments to Gross Revenue											
Supplemental Roll			0	0	0	0	0	0	0	0	0
Property Tax Administrative Fee [7]			(57,902)	(59,400)	(60,928)	(62,486)	(64,076)	(65,697)	(67,350)	(69,037)	(70,758)
Net Tax Increment Revenue			**5,741,925**	**5,890,203**	**6,041,446**	**6,195,714**	**6,353,068**	**6,513,569**	**6,677,279**	**6,844,264**	**7,014,588**
Low/Moderate Income Housing Set-Aside Revenue			(1,148,385)	(1,178,041)	(1,208,289)	(1,239,143)	(1,270,614)	(1,302,714)	(1,335,456)	(1,368,853)	(1,402,918)
Taxing Agencies Pass Through (AB 1290) Tier 1 [8]			(1,158,048)	(1,188,003)	(1,218,557)	(1,249,722)	(1,281,511)	(1,313,935)	(1,347,008)	(1,380,742)	(1,415,151)
Taxing Agencies Pass Through (AB 1290) Tier 2 [8]			(537,473)	(562,635)	(588,301)	(614,480)	(641,182)	(668,419)	(696,200)	(724,537)	(753,440)
Taxing Agencies Pass Through (AB 1290) Tier 3 [8]			(32,569)	(49,344)	(66,455)	(83,907)	(101,709)	(119,866)	(138,387)	(157,278)	(176,547)
Payments to Supplemental Educational Revennue Augmentation Fund (SERAF) [9]			0	0	0	0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue			**2,865,450**	**2,912,180**	**2,959,844**	**3,008,462**	**3,058,053**	**3,108,635**	**3,160,228**	**3,212,854**	**3,266,532**
Available Housing Tax Increment Revenue			**1,148,385**	**1,178,041**	**1,208,289**	**1,239,143**	**1,270,614**	**1,302,714**	**1,335,456**	**1,368,853**	**1,402,918**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-09 and 2009-10, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 6% and 4% for FY 2010-2011 and 2011-2012, respectively. FY 2009-2010 also includes a reduction for the Verbena Family Apartments project, owned by Barratt American Inc. which became a tax-exempt affordable housing project during FY 2009-2010. In addition, FY 2010-2011 includes a reduction for seven parcels within the GSA Border Reconfiguration Project which are anticipated to be removed from the project area in FY 2010-2011.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] It is anticipated that the base value will be reduced to $190,106,588 in FY 2010-2011 due to the removal of parcels within the GSA Border Reconfiguration Project from the Project Area. The anticipated base value reduction is used starting in FY 2010-2011. Actual base value reduction may vary.

[6] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[7] Estimated at 1.00 percent of gross revenue for the Project Area.

[8] Based on 20% of "Gross Revenue" through FY 2041-2042. In addition, 16.8% of Gross Revenue is included from FY 2009-2010 through FY 2041-2042 using incremental value for Year 10 (FY 2005-2006) as a base value and 11.2% of Gross Revenue is included in FY 2041-2042 using incremental value for Year 30 (FY 2025-2026) as a base value.

[9] The Agency was required to make an SERAF payment of approximately $1,358,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

SAN YSIDRO
EXHIBIT A
TAX INCREMENT REVENUE PROJECTION

							YEAR 46
Fiscal Year Ending:		**2036 2037**	**2037 2038**	**2038 2039**	**2039 2040**	**2040 2041**	**2041 2042**
Real Property [1]		$877,429,346	$894,977,933	$912,877,491	$931,135,041	$949,757,742	$968,752,897
Estimated Real Property Value Increase [2]		17,548,587	17,899,559	18,257,550	18,622,701	18,995,155	19,375,058
Assumed Appeals/Prop 8 Reduction/Property Transfer Impact/Negative Prop 13 [3]		0	0	0	0	0	0
Total Real Property		894,977,933	912,877,491	931,135,041	949,757,742	968,752,897	988,127,955
Total Other Property [4]		20,252,969	20,252,969	20,252,969	20,252,969	20,252,969	20,252,969
Total Value		**915,230,902**	**933,130,460**	**951,388,010**	**970,010,711**	**989,005,866**	**1,008,380,924**
Incremental Value Over Base of:	$200,636,959 [5]	725,124,314	743,023,872	761,281,422	779,904,123	798,899,278	818,274,336
Gross Revenue [6]		7,251,243	7,430,239	7,612,814	7,799,041	7,988,993	8,182,743
Unitary Revenue		9,589	9,589	9,589	9,589	9,589	9,589
Adjustments to Gross Revenue							
Supplemental Roll		0	0	0	0	0	0
Property Tax Administrative Fee [7]		(72,512)	(74,302)	(76,128)	(77,990)	(79,890)	(81,827)
Net Tax Increment Revenue		**7,188,320**	**7,365,525**	**7,546,275**	**7,730,640**	**7,918,692**	**8,110,505**
Low/Moderate Income Housing Set-Aside Revenue		(1,437,664)	(1,473,105)	(1,509,255)	(1,546,128)	(1,583,738)	(1,622,101)
Taxing Agencies Pass Through (AB 1290) Tier 1 [8]		(1,450,249)	(1,486,048)	(1,522,563)	(1,559,808)	(1,597,799)	(1,636,549)
Taxing Agencies Pass Through (AB 1290) Tier 2 [8]		(782,922)	(812,993)	(843,666)	(874,952)	(906,864)	(939,414)
Taxing Agencies Pass Through (AB 1290) Tier 3 [8]		(196,202)	(216,249)	(236,698)	(257,555)	(278,830)	(300,530)
Payments to Supplemental Educational Revennue Augmentation Fund (SERAF) [9]		0	0	0	0	0	0
Available Non-Housing Tax Increment Revenue		**3,321,283**	**3,377,130**	**3,434,094**	**3,492,196**	**3,551,461**	**3,611,911**
Available Housing Tax Increment Revenue		**1,437,664**	**1,473,105**	**1,509,255**	**1,546,128**	**1,583,738**	**1,622,101**

[1] Includes secured and unsecured land and improvement value in the Project Area less secured exemptions for FY 2009-2010. Secured value provided by the County Assessor as of 1/1/09. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/09.

[2] Assumes no change in value for Fiscal Year 2012-2013, an annual increase of 1% each year thereafter through Fiscal Year 2018-2019, and an annual increase of 2% each year thereafter.

[3] FY 2009-2010 reduction based on pending appeals for FY 2008-09 and 2009-10, and appeals which were resolved after the assessor roll was finalized for FY 2009-2010. Based on discussions with the County, it is estimated that the total real property value County-wide will be reduced by 1% for FY 2010-2011 and FY 2011-2012 as a result of Proposition 8, Proposition 13, appeals, and property transfers. Actual reduction from Proposition 8, appeals, and property transfers will vary. We have assumed a reduction in value of 6% and 4% for FY 2010-2011 and 2011-2012, respectively. FY 2009-2010 also includes a reduction for the Verbena Family Apartments project, owned by Barratt American Inc. which became a tax-exempt affordable housing project during FY 2009-2010. In addition, FY 2010-2011 includes a reduction for seven parcels within the GSA Border Reconfiguration Project which are anticipated to be removed from the project area in FY 2010-2011.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2009-2010. Secured value based on the final FY 2009-2010 Assessor Roll. Unsecured value provided by the County of San Diego Auditor/Controller. We have assumed this value to remain constant for each subsequent year.

[5] It is anticipated that the base value will be reduced to $190,106,588 in FY 2010-2011 due to the removal of parcels within the GSA Border Reconfiguration Project from the Project Area. The anticipated base value reduction is used starting in FY 2010-2011. Actual base value reduction may vary.

[6] The actual tax rate of 1.00930% is used for FY 2009-2010. A 1.00% tax rate is used from FY 2010-2011 to the end of the projection.

[7] Estimated at 1.00 percent of gross revenue for the Project Area.

[8] Based on 20% of "Gross Revenue" through FY 2041-2042. In addition, 16.8% of Gross Revenue is included from FY 2009-2010 through FY 2041-2042 using incremental value for Year 10 (FY 2005-2006) as a base value and 11.2% of Gross Revenue is included in FY 2041-2042 using incremental value for Year 30 (FY 2025-2026) as a base value.

[9] The Agency was required to make an SERAF payment of approximately $1,358,000 for the Project Area on May 10, 2010. The Agency made the payment with prior-year Project Area tax increment revenues on hand.

APPENDIX B

DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE CITY

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 and general background. The 2010 Bonds are not a debt of the City, the County, the State, or any of its political subdivisions, and none of the City, the County, the State nor any of its political subdivisions is liable thereon. The information and data within this Appendix B is the latest data available; however, the current state of the economy at City, County, State and national levels may not be reflected in the data discussed below because more up-to-date publicly available information is not available to the City.

As set forth under "SECURITY FOR THE 2010 BONDS" in the forepart of this Official Statement, the 2010 Bonds are secured by Tax Revenues, as described therein..

INTRODUCTION

The City, with a total population of approximately 1,376,173 as of January 1, 2010 and a land area of approximately 342 square miles, is the eighth largest city in the nation and the second largest city in California. The City is the county seat for the County. In addition to having a favorable climate, the City offers a wide range of cultural and recreational services to both residents and visitors. Major components of the City's diversified economy include defense, tourism, biotechnology/biosciences, financial and business services, software and telecommunications.

Population

The following Table B-1 sets forth annual population figures for the City, the County and the State for calendar years 2000 through 2009. The City's population increased by approximately 6.0% between 2000 and 2009, with an average annual increase of approximately 8,529.

TABLE B-1
POPULATION GROWTH
Calendar Years 2000 through 2009

Calendar Year[1]	*City of San Diego*	*Annual Growth Rate*	*County of San Diego*	*Annual Growth Rate*	*State of California*	*Annual Growth Rate*
2000	1,277,168	1.82%	2,836,284	2.16%	34,095,209	2.02%
2001	1,250,700	-2.07	2,892,535	1.98	34,766,730	1.97
2002	1,255,742	0.40	2,948,541	1.94	35,361,187	1.71
2003	1,275,112	1.54	2,994,300	1.55	35,944,213	1.65
2004	1,294,000	1.48	3,025,524	1.04	36,454,471	1.42
2005	1,306,000	0.93	3,053,111	0.91	36,899,392	1.22
2006	1,311,162	0.40	3,077,313	0.79	37,274,618	1.02
2007	1,316,837	0.43	3,117,943	1.32	37,674,415	1.07
2008	1,336,865	1.52	3,169,490	1.65	38,134,496	1.22
2009	1,353,993	1.28	3,208,466	1.23	38,487,889	0.93

[1] As of July 1 of the calendar year.

Source: City of San Diego data: Fiscal Year 2009 Comprehensive Annual Financial Report, Statistical Section (Unaudited).
County of San Diego and State of California data: State of California Department of Finance, Demographic Research Unit.

Employment

The following Table B-2 sets forth information regarding the size of the labor force, employment and unemployment rates for the City for calendar years 2005 through 2009, and for April 2010 (Preliminary).

TABLE B-2
LABOR FORCE – ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND UNEMPLOYMENT OF CITY OF SAN DIEGO CIVILIAN LABOR FORCE(1)
Calendar Years 2005 through 2009, and April 2010
(Not Seasonally Adjusted)

	Calendar Year					*April*
	2005	*2006*	*2007*	*2008*	*2009*	*2010*[2]
Civilian Labor Force						
City of San Diego[1]						
Employed	639,700	647,900	652,400	657,300	627,700	625,200
Unemployed	29,000	26,800	31,100	41,900	67,500	72,300
Unemployment Rates						
City[1]	4.3%	4.0%	4.6%	6.0%	9.7%	10.4%
County[1]	4.3	4.0	4.6	6.0	9.7	10.4
California[1]	5.4	4.9	5.4	7.2	11.4	12.3
United States[3]	5.1	4.6	4.6	5.8	9.3	9.5

(1) Revised labor force data and Unemployment Rates are based on a March 2008 benchmark.
(2) Preliminary; subject to change.
(3) The United States unemployment rates for calendar year 2005-2009 were generated as of May 4, 2010.
Source: State of California Employment Development Department, Labor Market Information Division; and the U.S. Department of Labor, Bureau of Labor Statistics

The State of California Employment Development Department, Labor Market Information Division (the "EDD"), preliminarily estimates that, on a seasonally unadjusted basis, the civilian labor force in the City in April of 2010 was 625,200, of which approximately 72,300 persons were unemployed. Based on preliminary estimates of the EDD as of May 24, 2010, the City's unemployment rate in April of 2010, on a seasonally unadjusted basis, matched that of the County at 10.4% and was below the unemployment rate of the State, which was 12.3%. However, the City's unemployment rate exceeded that of the United States, which was 9.5%. The following Table B-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 2004 through 2009. Annual industry employment information is not compiled by sector for the City.

TABLE B-3
COUNTY OF SAN DIEGO
WAGE AND SALARY EMPLOYMENT
Calendar Years 2005 through 2009[1]

Industry Category	*2005*	*2006*	*2007*	*2008*	*2009*
Mining & Logging	**400**	**500**	**400**	**400**	**400**
Construction	**90,800**	**92,700**	**87,000**	**76,100**	**61,100**
Manufacturing	**104,500**	**103,900**	**102,500**	**102,800**	**95,400**
Nondurable Goods	25,400	25,500	25,200	24,700	22,200
Durable Goods	79,100	78,400	77,300	78,100	73,200
Transportation, Warehousing & Utilities	**28,400**	**28,700**	**28,800**	**29,000**	**27,100**
Trade	**191,000**	**193,400**	**193,600**	**186,900**	**171,200**
Wholesale	43,600	45,100	45,500	44,900	40,700
Retail	147,400	148,300	148,100	142,000	130,500
Financial Activities[2]	**83,200**	**83,700**	**80,300**	**75,200**	**70,300**
Services[3]	**568,700**	**580,900**	**594,000**	**603,300**	**579,500**
Government	**215,100**	**217,900**	**222,400**	**225,100**	**224,700**
Federal	39,700	40,400	40,900	41,600	43,300
State and Local	175,400	177,500	181,500	183,500	181,400
TOTAL NONAGRICULTURAL	**1,282,100**	**1,301,700**	**1,309,000**	**1,299,400**	**1,721,000**

(1) All figures are based on a March 2000 Benchmark.
(2) Includes finance, insurance, and real estate.
(3) Includes professional and business, information, educational and health, leisure and hospitality and other services.
Source: State of California Employment Development Department, Labor Market Information Division.

Since the industry employment data referenced above is organized by standard industrial classification codes, employment in the various high tech categories, such as telecommunications, software and biotechnology may not fall into a single employment section alone. For example, some telecommunications firms appear in Manufacturing while others appear in Services.

Taxable Sales

The following Table B-4-1 sets forth taxable transactions in the City for calendar years 2004 through 2008 and the following Table B-4-2 sets forth taxable transactions in the City for the first quarter of calendar year 2009, the most recent period for which State Board of Equalization data is available.

TABLE B-4-1
CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
Calendar Years 2004 through 2008
(In Thousands)

	2004	*2005*	*2006*	*2007*[1]	*2008*[1]
Retail Stores					
Apparel	$785,563	$865,833	$924,301	$959,509	$1,123,736
General Merchandise	2,142,892	2,170,831	2,236,087	2,272,494	1,995,887
Food	741,899	801,351	843,800	881,871	828,471
Eating and Drinking	2,197,430	2,311,013	2,466,681	2,617,392	2,682,884
Home Furnishings and Appliances	728,841	747,339	706,043	655,097	749,808
Building Materials	1,440,726	1,396,894	1,427,987	1,098,559	865,280
Motor Vehicles and Parts	2,213,662	2,228,510	2,132,207	2,237,019	1,852,953
Service Stations	1,232,354	1,398,512	1,567,032	1,656,784	1,847,002
Other Retail Stores	2,375,353	2,465,882	2,527,653	2,321,276	2,045,273
Total Retail Stores	$13,858,720	$14,386,165	$14,831,791	$14,700,001	$13,991,295
All Other Outlets	4,679,723	5,105,581	5,227,476	5,356,105	5,422,964
TOTAL ALL OUTLETS	$18,538,443	$19,491,746	$20,059,267	$20,056,106	$19,414,259[2]

(1) In early 2007 the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change process, industry data for 2007 and 2008 are not comparable with data from prior years.

(2) Line items may not add to totals due to independent rounding.

Source: California State Board of Equalization.

TABLE B-4-2
CITY OF SAN DIEGO
TAXABLE TRANSACTIONS
Calendar Year 2009 First Quarter
(in Thousands)

Type of Business	2009 First Quarter
Motor Vehicle and Parts Dealers	$ 404,313
Home Furnishings and Appliance Stores	232,046
Building Materials and Garden Equipment and Supplies	179,969
Food and Beverage Stores	201,635
Gasoline Stations	278,502
Clothing and Clothing Accessories Stores	278,305
General Merchandise Stores	313,311
Food Services and Drinking Places	623,086
Other Retail Group	358,877
Total Retail and Food Services	2,870,044
All Other Outlets	1,173,138
TOTAL ALL OUTLETS	$4,043,182

Source: California State Board of Equalization, Taxable Sales in California.

Total taxable sales in the City of San Diego during the first quarter of calendar year 2009 declined by approximately 13%, compared to the same period of the prior year.

Tourism

The tourism industry is the County's third largest industry in terms of business revenue generation, following manufacturing and the military. The following Table B-5 sets forth total visitor spending in the County for the calendar years 2005 through 2009.

TABLE B-5
COUNTY OF SAN DIEGO
TOTAL VISITOR SPENDING[1]
Calendar Years 2005 through 2009
(In Millions)

Calendar Year	*Amount*
2005[2]	$7,224
2006[2]	7,719
2007[2]	7,899
2008	7,916
2009	6,958

[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 day visitors from Mexico, non-resident air travelers and conference and convention planners and exhibitor companies.

Source: San Diego Convention and Visitors Bureau.

The following Table B-6 sets forth the City's transient occupancy tax revenues for Fiscal Years 2005 through 2009.

TABLE B-6
CITY OF SAN DIEGO
TRANSIENT OCCUPANCY TAX[1]
Fiscal Years 2005 through 2009
(in thousands)

Fiscal Year	*Amount*
2005	$ 120,792
2006	136,803
2007	154,810
2008	159,348
2009	140,657

[1] Includes both the General Fund portion of TOT (5.5¢ of 10.5¢) and the balance (5¢ of 10.5¢) allocated to Special Promotional Programs. Special Promotional Programs are intended to: advance the City's economy by promoting the City as a visitor destination; develop, maintain, and enhance visitor-related facilities; and support the City's cultural amenities and natural attractions. Includes both the General Fund portion of TOT (5.5¢ of 10.5¢) and the balance (5¢ of 10.5¢) allocated to Special Promotional Programs. Special Promotional Programs are intended to: advance the City's economy by promoting the City as a visitor destination; develop, maintain, and enhance visitor-related facilities; and support the City's cultural amenities and natural attractions.

Source: Fiscal Year 2009 Comprehensive Annual Financial Report, Comptroller's Office, City of San Diego.

The City is the focal point for tourism in the County. Based on the San Diego County Visitor Industry Summary produced by San Diego Convention and Visitors Bureau, in calendar year 2009 an average of 67.3% of the County's hotel and motel rooms rented were located in the City. In addition, most of the County's major tourist attractions, including the world-renowned San Diego Zoo, the San Diego Wild Animal Park and Sea World, are located in the City. Other attractions located in the City include the Cabrillo National Monument on Point Loma, the historic Gaslamp Quarter in the downtown area, the Old Town State Park, Balboa Park and a host of other cultural and recreational activities.

Based on the San Diego County Visitor Industry Summary, in calendar year 2009, there were 8,501,391 airport arrivals and 665,757 Amtrak arrivals in the County; City average hotel occupancy was 65.4%. As of March 2010, the City average hotel occupancy rate was 70.9%, which represents a 12.0% increase from the same period of the prior year.

In addition to the many permanent attractions available to visitors, the City has also been host to a number of major sporting events. The City annually hosts the Buick Invitational, a Professional Golfers' Association Tour Event played at the world renowned Torrey Pines Golf Course. In addition, the City has annually hosted a pair of post season contests of elite college football teams, the Holiday Bowl and the Poinsettia Bowl.

The San Diego Convention Center has 2.6 million total gross square feet of buildings. According to the San Diego Convention Center Corporation, since opening in 1989, the Convention Center has generated over $18.3 billion in economic benefit for the San Diego regional economy through increased visitor spending, additional hotel room nights, and new jobs.

Military

Military and related defense spending are significant factors in the County economy. Military installations include Marine Corps Base Camp Joseph H. Pendleton; the Marine Corps Recruit Depot (MCRD); Marine Corps Air Station at Miramar; Naval Air Station North Island; Naval Station San Diego; and Naval Submarine Base, San Diego.

The following Table B-7 sets forth the military and related defense expenditures and personnel in the City for the federal fiscal years ended September 30, 2008 and September 30, 2009.

TABLE B-7
CITY OF SAN DIEGO[1]
TOTAL DEFENSE EXPENDITURE AND PERSONNEL
Federal Fiscal Years ended September 30, 2008 and September 30, 2009

	Expenditures (In Thousands)		*Military & Civilian Personnel[2]*		
Fiscal Year	**Grants/ Contracts[3]**	**Payroll Outlays[2]**	**Active Duty Military**	**Civilian[4]**	**Total**
2008	$9,080,575	$5,543,618	64,605	25,232	89,837
2009	$10,754,006	$5,778,806	67,432	24,965	92,397

(1) Data includes activity and expenditures which may occur outside the City or in adjacent counties related to County-based sites.
(2) Computation for Personnel & Payroll Data includes Active Duty Marines and all Commands in the following Navy Installations: Naval Base San Diego, the Broadway Complex, Naval Base Point Loma, Naval Base Coronado, Marine Corps Air Station Miramar, Marine Corps Recruit Depot Miramar, and Naval Medical Center.
(3) Procurement data includes Contracts for Dept of Defense only in Congressional Districts CA-49, CA-50, CA-51, CA-52 and CA-53.
(4) Includes Appropriated and Non-appropriated Funds Civilians Navy employees, Defense Commissary Agency employees, Navy Exchange employees and Marine Corps Exchange employees.
Source: Defense Manpower Data Center and Total Workforce Management System, Commander Navy Region Southwest, Regional Business Office.

International Trade

The following Table B-8 sets forth the valuation of exports originating in the San Diego Customs District for the calendar years 2005 through 2009.

TABLE B-8
VALUATION OF EXPORTS
ORIGINATING IN SAN DIEGO CUSTOMS DISTRICT[1]
Calendar Years 2005 through 2009
(In Millions)

Calendar Year	*Amount*
2005	$14,990
2006	15,980
2007	16,002
2008	16,607
2009	14,007

(1) The San Diego Customs District includes the ports of San Diego, Andrade, Calexico, San Ysidro, Tecate, Otay Mesa Station, and Calexico-East.
Source: RAND California, Business and Economic Statistics and US Census Bureau Foreign Trade Statistics.

Top Ten Principal Employers

The following Table B-9 sets forth the top 10 principal employers in the City of San Diego as of June 30, 2009.

TABLE B-9
CITY OF SAN DIEGO
TOP TEN PRINCIPAL EMPLOYERS
Fiscal Year 2009
(unaudited)

Employer	*Number of Employees*	*Percentage of Total Employment*[1]
United States Navy[2]	55,300	7.91%
San Diego Unified School District[3]	21,959	3.14
University of California San Diego	19,435	2.78
San Diego County[4]	17,900	2.56
Sharp Memorial Hospital	14,724	2.11
City of San Diego[5]	10,799	1.54
Kaiser Permanente	7,220	1.03
University of San Diego	6,086	0.87
Qualcomm, Inc.[6]	6,000	0.86
UC San Diego Medical Center	5,300	0.76
Total Top Employers	**164,723**	**23.56%**

(1) Percentage based on total employment of 699,200 provided by the EDD Labor Force Data.
(2) Employee count includes only U.S. Navy branch civilian and military personnel.
(3) Employee count is district-wide; school district boundaries do not coincide with City of San Diego boundaries.
(4) Employee count is county-wide.
(5) Employee count is provided by the City of San Diego, Office of the Comptroller.
(6) Based on Fiscal Year 2008 employee count. Fiscal year 2009 employee count was not yet available.
Source: Fiscal Year 2009 Comprehensive Annual Financial Report, Statistical Section (Unaudited).

Personal Income

The following Table B-10 sets forth the per capita personal income in the County and the State for calendar years 2005 through 2009.

TABLE B-10
COUNTY OF SAN DIEGO AND STATE OF CALIFORNIA
PER CAPITA PERSONAL INCOME[1]
Calendar Years 2005 through 2009

Calendar Year	*County of San Diego*[2]	*State of California*
2005	$40,383	37,418
2006	42,801	40,020
2007	44,832	41,805
2008	45,728	43,852
2009[3]	—	42,325[4]

(1) Amounts for County and State may not be comparable based on different source methodology.
(2) Reflects per capita personal income for the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area.
(3) County of San Diego Per Capita Personal Income for Calendar Year 2009 not yet available as of the date of this Official Statement.
(4) Preliminary.
Source: California data: U.S. Bureau of Economic Analysis and Bureau of the Census.

Property Value and Construction

The following Table B-11 sets forth total City assessed value, building permit valuations and the number of new construction permits issued in the City for Fiscal Years 2005 through 2009.

Residential construction activity has continued to decline since peaking in 2005. The subprime mortgage crisis and the resulting significant increase in the number of foreclosures have contributed to this downturn.

TABLE B-11
CITY OF SAN DIEGO
ASSESSED VALUE AND CONSTRUCTION PERMIT VALUATION
Fiscal Years 2005 through 2009
($ in thousands)

	Residential[1]		Non-Residential[2]		
Fiscal Year	*Dwelling Units*	*Assessed Value[4]*	*Permits*	*Assessed Value[4]*	*Total Permit Assessed Value Estimate[4]*
2005	3,961	$941,561	221	$1,216,258	$2,157,819
2006	3,702	762,811	272	1,266,451	2,029,262
2007	3,540	587,520	217	1,035,183	1,622,703
2008	2,228	437,934	175	931,648	1,369,582
2009	1,117	202,268	138	576,879	779,147

(1) Residential reflects construction of new structures.
(2) Non-residential reflects construction of new structures whose intended use includes commercial, industrial, and other uses. Each permit is a separate structure.
(3) Valuation figures only include valuation of newly created structures. These figures do not include minor modification work such as interior remodels, reroofs, etc. Total permit Assessed Value is an estimate determined at time of permit issuance; actuals may vary.
Source: Development Services Department, City of San Diego, Permit Tracking System Database.

According to the San Diego County Recorder's Office, there has been an increase in the number of notices of loan defaults issued in the County in calendar year 2009 relative to calendar year 2008; however, foreclosures have dropped during this time frame. There were 34,069 notices of default issued in 2008 in the County of San Diego, which increased to 38,308 notices issued in 2009. However, foreclosures in the County were 19,577 in 2008, which decreased to 15,487 foreclosures in 2009.

The following Table B-12 sets forth foreclosure activity in the County for the calendar years 2005 through 2009.

TABLE B-12
COUNTY OF SAN DIEGO
FORECLOSURE ACTIVITY
Calendar Years 2005 through 2009

Calendar Year	*Foreclosures*	*Total number of Housing Units*[1]	*% of Total Housing Units*
2005	559	1,107,985	0.05%
2006	2,065	1,118,283	0.18
2007	8,417	1,131,749	0.74
2008	19,577	1,140,349	1.72
2009	15,487	1,145,548	1.35

[1] As of January 1 of the indicated year.
Source: County of San Diego, Assessor's Records; and SANDAG.

Transportation

San Diego's transportation system provides for the movement of people and goods through a network of highways and roads, public transit, freight railroads, airports, seaports, and intermodal facilities. Local streets, paths and trails serve to provide local access and connections to the regional network. The transportation system provides travel for residents, employees, visitors, and goods movement and creates a system that supports City and regional economic needs. To accommodate the various travel needs, the City's transportation network includes numerous modes of transportation.

SANDAG is the region's transportation and planning agency. The City participates in the development and adoption of SANDAG documents and programs through the votes of elected officials serving on the SANDAG Board of Directors, staff participation on SANDAG advisory committees, and direct citizen participation in the process.

The automobile-highway system is the primary mode of travel in the region. Based on public information published by SANDAG the existing regional transportation system consists of over 600 miles of freeways and highways and about 7,400 miles of local streets and roads. Over 84 million vehicle miles are traveled daily, with an average vehicle trip length of 6.4 miles. At present, the capacity of the auto-highway system is being exceeded in a number of corridors during the peak commute hours when most people are going to and from work. Within the San Diego region, transit services are provided by the Metropolitan Transit System ("MTS") in the southern metropolitan area (including the City) and the North County Transit District ("NCTD") in the northern part of the county (with Coaster and bus services that tie into the City of San Diego). Transit services are provided both for trips within the City and region and for trips between San Diego and adjacent areas. The current transit network includes local and express bus, light rail (trolley), and Coaster commuter rail services. According to SANDAG data, the region's transit systems provide about 35 million miles of annual transit service, carrying over 104 million total annual passengers.

In addition, there are demand-responsive transit services that provide transit service in sparsely traveled areas and for travelers with special needs that cannot be well served by fixed-route service.

The Coaster and Amtrak trains provide passenger rail service to the City along the coastal rail corridor. Passenger and freight trains also share the predominately single-track corridor. The Coaster provides commuter rail service between Oceanside and Downtown San Diego with stations in the City at Sorrento Valley, Old Town, and the Santa Fe Depot. Amtrak provides intercity passenger rail service from Downtown San Diego to Los Angeles, and north to San Luis Obispo, which is the second most heavily traveled intercity passenger rail corridor in the nation.

The City of San Diego has a developed network of designated bikeways as described in the City's Bicycle Master Plan. The City's network includes bicycle paths in Mission Valley, Mission Bay Park, and along the beachfronts in Pacific Beach and Mission Beach. Other facilities of significant length can be found in the communities of Carmel Valley, Rancho Peñasquitos, Mira Mesa, Rose Canyon, near the San Diego Airport, and in the Mission Trails Park.

APPENDIX C

ANNUAL FINANCIAL REPORT
OF THE AGENCY FOR FISCAL YEAR 2008-09

Due to its size the "Annual Financial Report of the Agency for Fiscal Year 2008-2009" is included only with Attachment 2 - City Heights Preliminary Official Statement

APPENDIX D

SUMMARY OF TRUST INDENTURE

Certain provisions of the Trust Indenture (the "Indenture") are discussed in the body of this Official Statement. The following are summaries of certain additional provisions of the Indenture relating to the issuance of the 2010 Bonds, and do not purport to be comprehensive or definitive. Reference is made to each document for complete details of all of its terms and conditions

Definitions.

Unless the context otherwise requires, the terms defined in the Indenture 1.01 shall, for all purposes of the Indenture, of any indenture supplemental hereto, and of any certificate, opinion or other document mentioned in the Indenture , have the meanings specified in the Indenture:

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

"Agency Deposit" means the amount of $_____ deposited by the Agency, from moneys on hand with the Agency, into the Agency Deposit Fund. The Agency Deposit is pledged to repayment of the Bonds as set forth in the Indenture.

"Agency Deposit Fund" means the Fund by that name established by Section 5.09 hereof.

"Agency Deposit Fund Withdrawal" has the meaning set forth in Section 5.09 hereof.

"Additional Allowance" means, as the date of calculation, the amount of Tax Revenues which, as shown in the Report of an Independent Financial Consultant, are 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 the assessed valuation of taxable property in the Project Areas due to either (a) construction which has been completed but not yet reflected on the tax rolls, or (b) transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls. For purposes of this definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Project Areas is estimated to increase above assessed valuation of taxable property in the Project Areas (as evidenced on the written records of the San Diego County Auditor-Controller) as of the date in which such calculation is made.

"Annual Debt Service" means, for each Fiscal Year, the sum of (a) the interest payable on the Outstanding Bonds in such Fiscal Year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds are redeemed from sinking fund payments as scheduled and (b) the principal amount of the Outstanding Serial Bonds payable by their terms in such Fiscal Year and the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from (c) sinking fund payments in such Fiscal Year, excluding the redemption premiums, if any, thereon.

"Authority" means the Public Facilities Financing Authority of the City of San Diego, a joint powers authority duly organized and existing under the laws of the State.

"Bank Housing Lines of Credit" means the following credit agreements between the Agency and U.S. Bank National Association, as successor in interest to San Diego National Bank (the "Bank"):

(i) Credit Agreement (City Heights Housing Project – Redevelopment Agency of the City of San Diego) dated as of July 26, 2007, between the Agency and the Bank, with respect to the City Heights Redevelopment Project (the "City Heights 2007 Housing Credit Agreement"), as amended by a First Amendment thereto;

(ii) Credit Agreement (North Park Housing Project – Redevelopment Agency of the City of San Diego) dated as of July 26, 2007, between the Agency and the Bank, with respect to the North Park Redevelopment Project (the "North Park 2007 Housing Credit Agreement"), as amended by a First Amendment thereto;

(iii) Credit Agreement (North Bay Housing Project – Redevelopment Agency of the City of San Diego) dated as of July 26, 2007, between the Agency and the Bank, with respect to the North Bay Redevelopment Project (the "North Bay 2007 Housing Credit Agreement"), as amended by a First Amendment thereto; and

(iv) Credit Agreement (Naval Training Center Housing Project – Redevelopment Agency of the City of San Diego) dated as of July 26, 2007, between the Agency and the Bank, with respect to the Naval Training Center Redevelopment Project (the "Naval Training Center 2007 Housing Line of Credit"), as amended by a First Amendment thereto.

"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 Fund" means the fund by that name established pursuant to Section 5.03 hereof.

"Bond Year" means the twelve-month period extending from September 2 in any year to the following September 1, both dates inclusive.

"Bonds" means the 2010 Bonds and, to the extent required by any Supplemental Indenture, any Parity Bonds authorized by, and at any time Outstanding pursuant to the Indenture and such Supplemental 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, Los Angeles, California, and the city in which the Corporate Trust Office is located, are authorized or obligated by law to be closed.

"Chair" means the chairperson 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 chairperson in the event of the chairperson's absence or disqualification.

"City" means the City of San Diego, California.

"City Heights Loan Agreement" means amounts payable by the Agency under a loan to the Agency under a Disposition and Development Agreement, dated May 16, 2000, by and between the Agency and SDRC and relating to the City Heights Urban Village Town Homes and Office Project.

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

"Code" means, with respect to a series of Tax-Exempt Bonds, the Internal Revenue Code of 1986, as amended. Any reference to a provision of the Code shall be deemed to include the applicable Tax Regulations promulgated with respect to such provision.

"Continuing Disclosure Certificate" means an undertaking entered into by the Agency relative to the Original Purchaser's obligations under Rule 15c2-12 of the Securities and Exchange Commission, as provided pursuant to Section 6.19 of the Indenture.

"Corporate Trust Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Agency, initially being 633 W. 5th Street, 24th Floor, Los Angeles, California 90071 except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"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, placement agent fees, legal fees and charges, including bond counsel and financial consultants fees, costs of cash flow verifications, premiums for any municipal bond insurance policy that may be purchased and for any reserve account surety bond the Agency may purchase, rating agency fees, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the original issuance of the Bonds.

"Costs of Issuance Fund" means the fund by that name established by Section 3.02.

"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.

"Defeasance Securities" means any of the following, or any combination thereof: (a) cash, (b) State and Local Government Series securities issued by the United States Treasury, (c) United States Treasury bills, notes and bonds, as traded on the open market, which are not subject to optional call or redemption, and (d) zero coupon United States Treasury Bonds.

"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 deputy executive director of the Agency.

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

"Federal Securities" means the following securities:

(1) United States Treasury Bills, bonds, and notes for which the full faith and credit of the United States are pledged for payment of principal and interest;

(2) Direct senior obligations issued by the following agencies of the United States Government: the Federal Farm Credit Bank System, the Federal Home Loan Bank System, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Tennessee Valley Authority;

(3) Mortgage Backed Securities (except stripped mortgage securities) issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association; and

(4) United States Treasury Obligations, State and Local Government Series.

"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.

"Fitch" means Fitch Ratings and its successors, and if such company shall for any reason no longer perform the functions of a securities rating agency. "Fitch" shall be deemed to refer to any nationally recognized securities rating agency designated by the Agency and the City.

"Housing Fund" means, collectively, the Low and Moderate Income Housing Funds for the Project Areas established pursuant to Section 33334.3 of the Law and held by the Agency.

"Housing Projects Fund" means the fund by that name held by the Trustee pursuant to Section 3.06.

"Indenture" means this Trust Indenture, entered into by the Agency as it may be amended or supplemented by any Supplemental 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; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's Investors Service "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; Standard & Poor's Corporation "Called Bond Record," 25 Broadway, 3rd Floor, 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 services providing information with respect to the redemption of bonds as the Agency may designate in a Written Request of the Agency delivered to the Trustee.

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

"Interest Payment Date" means March 1 and September 1 in any year in which Bonds are Outstanding, commencing March 1, 2011.

"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.

"Maximum Annual Debt Service" means, as of the date of any calculation, the largest Annual Debt Service with respect to the Bonds during the current or any future Fiscal Year.

"Moody's" means Moody's Investors Service, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency and the City.

"Original Purchaser" means, collectively, De La Rosa & Co., and Piper Jaffray & Co., as the original purchasers of the 2010 Bonds from the Authority and in connection with the issuance of any Parity Bonds the original purchaser thereof.

"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 theretofore cancelled 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 so 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 Supplemental 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 Bonds" means any bonds, notes, loans, advances, or indebtedness issued or incurred by the Agency on a parity with the 2010 Bonds in accordance with the provisions of Sections 3.03 and 3.04 hereof.

"Participant" means those broker-dealers, banks and other financial institutions from time to time for which DTC holds 2010 Bonds as securities depository.

"Permitted Investments" means any of the following to the extent then permitted by law and Section 7.07 hereof:

(1) Federal Securities;

(2) Obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided, that at the time of their purchase such obligations are rated "AAA" by two Rating Agencies;

(3) Bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by each Rating Agency in their respective highest short-term rating categories, or, if the term of such indebtedness is longer than three years, rated "AAA" by two Rating Agencies;

(4) Taxable commercial paper or tax-exempt commercial paper with a maturity of not more than 270 days, rated at the time of purchase "A1/P1/F1" by two Rating Agencies;

(5) Deposit accounts or certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Trustee and its affiliates) or a state or federal savings and loan association or a state-licensed branch of a foreign bank; provided, however, that such certificates of deposit or deposit accounts shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation; or (b) have maturities of not more than 365 days (including certificates of deposit) and are issued by any state or national bank or a state or federal savings and loan association,

the short-term obligations of which are rated in the highest short term letter and numerical rating category by two Rating Agencies;

(6) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which bank has short term obligations outstanding which are rated by two Rating Agencies in their respective highest short-term rating categories, and which bankers acceptances mature not later than 180 days from the date of purchase.

(7) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee), or a state-licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars ($100,000,000) and with short-term debt rated by two Rating Agencies in their respective three highest short-term rating categories or any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clause (1) of this definition, which shall have a market value (valued at least weekly) not less than 102% of the principal amount of such investment and shall be lodged with the Trustee, the Treasurer or other fiduciary, as a custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement. The entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least weekly) will be an amount equal to 102% the principal amount of such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(8) Investments in a money market fund, including those of an affiliate of the Trustee rated "AAAm" or "AAAm-G" or better by S&P and Moody's, investments of which are limited to investments described in clauses (1), (2) and (7) of this definition.

(9) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or of any political subdivision or public agency thereof which are rated in the highest short-term rating category or within one of the three highest long-term rating categories of two Rating Agencies (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);

(10) For amounts less than $10,000, interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or a state or federal savings and loan association in the State, fully insured by the Federal Deposit Insurance Corporation, including the Trustee or any affiliate thereof;

(11) Investments in taxable money market funds or portfolios restricted to obligations with an average maturity of one year or less and which funds or portfolios are rated in either of the two highest rating categories by two Rating Agencies or have or are portfolios guaranteed as to payment of principal and interest by the full faith and credit of the United States of America and which may include funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services;

(12) Investments in the City's pooled investment fund;

(13) Investments in the Local Agency Investment Fund created pursuant to Section 16429.1 of the Government Code of the State;

(14) Shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (1) through (11) of this definition and which companies are rated in their respective highest rating categories by two Rating Agencies or have an investment advisor registered with the Securities and Exchange Commission with not less than five

years' experience investing in such securities and obligations and with assets under management in excess of five hundred million dollars ($500,000,000); and

(15) Any guaranteed investment contract, including forward delivery agreements ("FDAs") and forward purchase agreements ("FPAs"), with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims-paying ability rated within the two highest rating categories of two or more Rating Agencies. Only Permitted Investments described in clause (1) above and having maturities equal to or less than 30 years from their date of delivery will be considered eligible for any collateralization/delivery purposes for guaranteed investment contracts, FDAs or FPAs;

(16) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which consists exclusively of investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended.

"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 2010 Bonds mature by their respective terms; and with respect to any Parity Bond means the stated maturity date of such Parity Bond.

"Purchase Price" means, with respect to a series of Tax-Exempt Bonds, for the purpose of computation of the Yield of the Bonds, has the same meaning as the term "issue price" in Section 1273(b) and 1274 of the Code, and, in general, means the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds are sold or, if the Bonds are privately placed, the price paid by the original purchaser thereof or the acquisition cost of such original purchaser. The term "Purchase Price," for the purpose of computation of the Yield of Permitted Investments, means the fair market value of the Permitted Investments on the date of use of Bond proceeds for acquisition thereof, or if later, on the date that any Permitted Investment becomes a Nonpurpose Investment, as defined in the Code, of the Bonds.

"Qualified Reserve Account Credit Instrument" means any irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 5.03(c), provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company at the time of issuance of such letter of credit or surety bond is in one of the two highest rating categories by S&P and Moody's; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 5.03(c); (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account, or the Principal Account for the purpose of making payments required pursuant to Section 5.03(a), (b) or (c); and (e) written notice of the posting of such Qualified Reserve Account Credit Instrument is given to the Rating Agencies.

"Rating Agencies" means any of the following: Fitch, Moody's and S&P.

"Rebate Account" means, with respect to a series of Tax-Exempt Bonds, the Account by that name established and held by the Trustee pursuant to Section 7.10 hereof.

"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 Plans" or "Plans" means the redevelopment plans for the Redevelopment Projects approved and adopted by the City for the City Heights Redevelopment Project Area, the North Bay Redevelopment Project Area, the North Park Redevelopment Project Area, the Crossroads Redevelopment Project Area, the Naval Training Center Redevelopment Project Area and the San Ysidro Redevelopment Project Area, and includes any amendment of said plan heretofore or hereafter made pursuant to the Law.

"Redevelopment Projects" or "Projects" means the undertaking of the Agency pursuant to the Redevelopment Plans, as amended, and the Law for the redevelopment of the Redevelopment Project Areas.

"Redevelopment Project Areas" or "Project Areas" means the Redevelopment Project Areas described in the Redevelopment Plans.

"Registration Books" means the records maintained by the Trustee pursuant to Section 2.07 hereof for the registration and transfer of ownership of the Bonds.

"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 the 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.

"Representation Letter" shall mean the letter of representations from the Agency to, or other instrument or agreement of the Agency with, a Book-Entry Depository in which the Agency, among other things, makes certain representations to such Book-Entry Depository with respect to the Bonds, the payment thereof and delivery of notices with respect thereto.

"Reserve Account" means the account by that name established pursuant to Section 5.03 hereof, within which Reserve Account there may be created separate subaccounts with respect to each series of the Bonds.

"Reserve Requirement" means, as of the date of calculation an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of the Bonds (less original issue discount in excess of two percent); (ii) Maximum Annual Debt Service on the Bonds; or (iii) 125% of average Annual Debt Service on the Bonds; provided, however, that the Reserve Requirement shall be calculated without regard to Escrowed Bonds, as defined in Section 3.03 hereof.

"SDRC" means the San Diego Revitalization Corporation, a California nonprofit public benefit corporation.

"S&P" shall mean Standard & Poor's Rating Service, a division of McGraw-Hill Companies, Inc., its successors and assigns, and if such corporation shall for any reason no longer perform its functions of a securities ratings agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency and the City.

"Securities Depositories" means The Depository Trust Company, New York, New York, and its successors and assigns and any replacement securities depository as the Agency may designate in a Written Request of the Agency delivered to the Trustee.

"Senior Bonds" means, collectively, the following bond issues of the Agency, each of which bond issues has a prior pledge of the Tax Revenues with respect to its Project Area for debt service on such issue of Senior Bonds prior to the pledge of Tax Revenues under the Indenture:

(i) $4,955,000 initial aggregate principal amount City Heights Redevelopment Project, 2003 Housing Set-Aside Tax Allocation Bonds Series A (Taxable) and $865,000 initial aggregate principal amount City Heights Redevelopment Project, 2003 Housing Set-Aside Tax Allocation Bonds, Series B (Tax-Exempt) (together, the "City Heights 2003 Senior Bonds") issued under the applicable Senior Bonds Indenture;

(ii) $13,000,000 initial aggregate principal amount North Bay Redevelopment Project, Tax Allocation Bonds, Series 2000 (the "North Bay 2000 Senior Bonds") issued under the applicable Senior Bonds Indenture;

(iii) $7,000,000 initial aggregate principal amount North Park Redevelopment Project, Tax Allocation Bonds, Series 2000 (the "North Park 2000 Senior Bonds") issued under the applicable Senior Bonds Indenture; and

(iv) $7,145,000 initial aggregate principal amount North Park Redevelopment Project, 2003 Tax Allocation Bonds Series A (Taxable) and $5,360,000 initial aggregate principal amount North Park Redevelopment Project, 2003 Tax Allocation Bonds, Series B (Tax-Exempt) (together, the "North Park 2003 Senior Bonds") issued under the applicable Senior Bonds Indenture.

The North Park 2003 Senior Bonds were issued on a parity with the North Park 2000 Senior Bonds. The North Park 2000 Senior Bonds and the North Park 2003 Senior Bonds are referred to together as the "North Park Senior Bonds".

"Senior Bonds Annual Debt Service" means, for the Senior Bonds for each Bond Year, the sum of (a) the interest payable on the Outstanding Senior Bonds, in such Bond Year, assuming that the Outstanding serial Senior Bonds are retired as scheduled and that the Outstanding term Senior Bonds are redeemed from sinking account payments as scheduled, (b) the principal amount of the Outstanding serial Senior Bonds payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding term Senior Bonds scheduled to be paid or redeemed from sinking account payments in such Bond Year, excluding the redemption premiums (if any) thereon.

"Senior Bonds Indentures" means, collectively, the following indentures under which the Senior Bonds were issued:

(i) with respect to the City Heights 2003 Senior Bonds, that certain Trust Indenture by and between the Agency and BNY Western Trust Company, as trustee, and dated as of December 1, 2003 (the "City Heights 2003 Senior Indenture");

(ii) with respect to the North Bay 2000 Senior Bonds, that certain Trust Indenture by and between the Agency and Wells Fargo Bank, National Association, as trustee, and dated as of October 1, 2000 (the "North Bay 2000 Senior Indenture");

(iii) with respect to the North Park 2000 Senior Bonds, that certain Trust Indenture by and between the Agency and Wells Fargo Bank, National Association, as trustee, and dated as of October 1, 2000 (the "North Park 2000 Senior Indenture"); and

(iv) with respect to the North Park 2003 Senior Bonds, the North Park 2000 Senior Indenture, as supplemented by that certain First Supplement to Indenture of Trust between the Agency and Wells Fargo Bank, National Association, as trustee, dated as of December 1, 2003 (the "North Park 2003 Senior Indenture"), and supplementing the North Park 2000 Senior Indenture.

The North Park 2000 Senior Indenture, as supplemented by the North Park 2003 Senior Indenture are referred to as the "North Park Senior Indenture".

"Serial Bonds" means with respect to the 2010 Bonds, all of the 2010 Bonds other than the 2010 Bonds which are Term Bonds, and with respect to Parity Bonds, means all of the Bonds of such series of Parity Bonds of such series which are not Term Bonds.

"Special Fund" means the fund by that name established by Section 5.02.

"State" means the State of California.

"Subordinate Debt" has the meaning set forth in Section 3.05 of the Indenture.

"Supplemental Indenture" means an agreement, resolution or other instrument then in full force and effect which has been duly adopted by the Agency, amendatory of or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Tax Certificate" means the Tax Certificate of the Agency executed and delivered on each Closing Date to establish certain facts and expectations with respect to any Tax-Exempt Bonds being issued on the respective Closing Date.

"Tax-Exempt Bonds" means any Bonds the interest on which is intended to be excluded from gross income for federal tax purposes, as set forth in a related Tax Certificate.

"Tax Increment Limitation" means, with respect to each Redevelopment Project, the maximum amount of tax increment which may be paid to the Agency for such Redevelopment Project, as said limitation may be amended from time to time pursuant to Section 33333.2 of the Redevelopment Law.

"Tax Regulations" means, with respect to a series of Tax-Exempt Bonds, temporary and permanent regulations promulgated under Section 103 and related provisions of the Code.

"Tax Revenue Certificate" means a written certificate of the Agency identifying the amount of Tax Revenues calculated by a Redevelopment Consultant taking into account information on assessed valuation 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; provided that a Tax Revenue Certificate with respect to Parity Bonds shall contain the information required by Section 3.03 of the Indenture.

"Tax Revenues" means that portion of taxes annually allocated to the Agency with respect to the Project Areas following the Closing Date pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plans, including all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, that are required to be deposited into the Housing Fund of the Agency in any Fiscal Year pursuant to Sections 33334.2 and 33334.3 of the Redevelopment Law, and subject to the following limitations with respect to the Senior Bonds:

(i) with respect to the City Heights Redevelopment Project, there shall be excluded any such taxes pledged to and used to pay debt service on the City Heights 2003 Senior Bonds pursuant to the City Heights 2003 Senior Indenture;

(ii) with respect to the North Bay Redevelopment Project, there shall be excluded any such taxes pledged to and used to pay debt service on the North Bay 2000 Senior Bonds pursuant to the North Bay 2000 Senior Indenture; and

(iii) with respect to the North Park Redevelopment Project, there shall be excluded any such taxes pledged to and used to pay (a) debt service on the North Park 2000 Senior Bonds pursuant to the 2000 Senior Indenture and (b) debt service on the North Park 2003 Senior Bonds pursuant to the North Park 2003 Senior Indenture.

"Term Bonds" means, with respect to the 2010 Bonds, the 2010 Bonds maturing on September 1, 20___ and 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.

"Trustee" means the Trustee appointed by the Agency and acting as an independent trustee with the duties and powers provided in the Indenture, 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. The initial Trustee under the Indenture is U.S. Bank National Association.

"2010 Bonds" means the $_____ aggregate principal amount of Redevelopment Agency of the City of San Diego Housing Set-Aside Tax Allocation Bonds, 2010 Series A Taxable.

"Written Request of the Agency" or "Written Certificate of the Agency" means an instrument in writing signed by any of the Chairman, the Executive Director, the Executive Director's designee, or by any other officer of the Agency duly authorized by the Agency for that purpose.

"Yield" means, with respect to a series of Tax-Exempt Bonds, that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Permitted Investments which require payments in a form not characterized as principal and interest) on a Permitted Investment or on any series of the Bonds produces an amount equal to the Purchase Price of such Permitted Investment or any series of the Bonds, as the case may be, all computed as prescribed in the applicable Tax Regulations.

Funds and Accounts

Costs of Issuance Fund. There is hereby established a separate fund to be known as the "Costs of Issuance Fund," which shall be held by the Trustee in trust. The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date six months following the Closing Date, or upon the earlier Written Request of the Agency stating that all known Costs of Issuance have been paid, all amounts, if any, remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Housing Projects Fund and the Costs of Issuance Fund shall be closed.

Housing Projects Fund. There is hereby created a special fund to be known as the "Redevelopment Agency of the City of San Diego 2010 Housing Projects Fund" (the "Housing Projects Fund"), which the Trustee shall hold in trust for the benefit of the Agency and into which there shall be deposited proceeds of the 2010 Bonds in the amount set forth in Section 3.01(3) hereof. The moneys deposited in the Housing Projects Fund shall remain

therein until requisitioned from time to time by one or more Written Requests of the Agency to the Trustee, which requisitions shall state the amount being requisitioned and that it will be used by the Agency in accordance with the provisions of the Indenture 3.06. All moneys so requisitioned by the Agency shall be expended from time to time for the purpose of paying any portion of the costs of low and moderate income housing projects within or of benefit to the Redevelopment Projects and permitted by Section 33334.2 and following of the Law, and other costs related thereto. All amounts on deposit in the Housing Projects Fund shall be invested by the Trustee at the written direction of the Agency in Permitted Investments. Investment earnings on such Permitted Investments shall be retained in the Housing Projects Fund.

Issuance of Parity Bonds.

In addition to the 2010 Bonds, the Agency may, by a Supplemental Indenture, issue Parity Bonds payable from Tax Revenues as and to the extent provided in the Indenture and secured by the pledge made under the Indenture equally and ratably with the Bonds previously issued. 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 Supplemental 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 Tax Revenues (including for this purpose the amounts referred to in items (i), (ii) and (iii) at the end of the definition of Tax Revenues) to be allocated and paid to the Agency in each Fiscal Year during the term of the Parity Bonds and the amounts set forth in the schedule of Agency Deposit Fund Withdrawals in Section 5.09 hereof, plus at the option of the Agency the Additional Allowance, as set forth in a Tax Revenue Certificate of the Agency taking into account all Redevelopment Plan limitations, tax sharing agreements and other factors which would cause a reduction in Tax Revenues in any future Fiscal Year, will be at least equal to 125% of the sum (i) the Annual Debt Service coming due and payable in the corresponding Fiscal Year on all Bonds (excluding Escrow Bonds, as defined below) which will be Outstanding following the issuance of such Parity Bonds; and (ii) the following percentage of the Annual Senior Bonds Debt Service of the Senior Bonds that will be outstanding following the issuance of such Parity Bonds: 25% in the case of the North Bay 2000 Senior Bonds; 100% in the case of the 2003 City Heights Senior Bonds; and 24% in the case of the North Park Senior Bonds (consisting of 24.5% in the case of the North Park 2000 Senior Bonds; and 41.1% in the case of the North Park 2003 Senior Bonds);

(c) The Agency shall certify to the Trustee that the issuance of such Parity Bonds shall not cause the Agency to exceed any applicable limitations under the Redevelopment Plans. Without limiting the generality of the foregoing, the Agency may not issue any Parity Bonds in the event and to the extent that either:

(i) the aggregate amount of debt service on all outstanding obligations of the Agency, including such Parity Bonds, exceeds the aggregate amount of Tax Revenues which are eligible under the Redevelopment Plans to be allocated and paid to the Agency during the period while such outstanding obligations remain outstanding, or

(ii) the aggregate principal amount of all outstanding obligations of the Agency, including such Parity Bonds, exceeds any applicable limit in the Redevelopment Plans on the aggregate principal amount of indebtedness which the Agency is permitted to have outstanding at any one time;

(d) The Supplemental Indenture authorizing the issuance of Parity Bonds shall provide that (i) interest on such Parity Bonds shall be calculated at a fixed interest rate if the Agency determines in such Supplemental Indenture that it is to be paid on a current basis, shall be payable on March 1 and September 1 in each year of the term of such Parity Bonds except the first twelve-month period during which interest may be payable on any March 1 or September 1; 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) Money shall be deposited in the Reserve Account or in a subaccount therein (or a Qualified Reserve Account Credit Instrument provided) in an amount sufficient to increase the amount on deposit in the Reserve Account to an amount equal to the Reserve Requirement for all outstanding Bonds, including such Parity 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.

For the purposes of the calculation of the coverage requirements set forth in the Indenture with respect to the issuance of Parity Bonds, Outstanding Bonds and Parity Bonds shall not include a principal amount of such Parity Bonds, determined on such basis among maturities as the Agency may determine, equal to the proceeds of such Parity Bonds to be deposited in an escrow fund established for such Parity Bonds (the "Escrowed Bonds"), provided that the Supplemental Indenture authorizing the issuance of such Parity Bonds shall provide that:

(1) Such proceeds shall be invested in Permitted Investments, and an amount equal to the difference between the projected interest earnings on such proceeds and the interest due on the Escrowed Bonds shall be deposited in the Interest Account so as to pay interest on the Escrowed Bonds as it becomes due and payable;

(2) Moneys may be transferred from the escrow fund established for the Escrowed Bonds only if a Tax Revenue Certificate establishes that the amount of Tax Revenues, after the proposed transfer date to be allocated and paid to the Agency in each Fiscal Year during the term of the Parity Bonds as projected by a Redevelopment Consultant taking into account all Redevelopment Plan limitations, tax sharing agreements and other factors which would cause a reduction in Tax Revenues in any future Fiscal year, will be at least equal to 125% of the Annual Debt Service coming due and payable in the corresponding Fiscal Year on all Bonds and Senior Bonds calculated in the manner set forth in (b) above (excluding the remaining Escrowed Bonds) which will be Outstanding following such transfer date;

(3) The Agency shall provide to the Trustee a Written Certificate of the Agency with respect to the matters set forth in subsections (b), (c) and (e) above, provided that such certification shall include the Escrowed Bonds allocable to such moneys so transferred from such escrow fund; and

(4) Such Parity Bonds shall be redeemed from moneys remaining on deposit in the escrow fund established for the Escrowed Bonds at the expiration of a specified escrow period in such manner as may be determined by the Agency in the Supplemental Indenture;

Any computations establishing that debt service coverage is sufficient to support the issuance of Parity Debt or that requisite debt service savings are available to support the issuance of refunding bonds shall, in all cases, be evidenced by a certificate of an Independent Certified Public Accountant or an Independent Financial Consultant.

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 Supplemental Indenture specifying the principal amount and prescribing the forms 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 the Indenture.

Before such Parity Bonds shall be issued and delivered, the Agency shall file the following documents with the Trustee:

(a) An executed copy of the Supplemental 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 Supplemental Indenture has been duly authorized by the Agency in accordance with the 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 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 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.

Subordinate Debt. Nothing in the Indenture shall be intended or construed in any way to prohibit or impose any limitations on the issuance by the Agency of bonds, notes, or other obligations or evidences of indebtedness payable from Tax Revenues on a subordinate basis to the pledge of Tax Revenues to the repayment of the 2010 Bonds and any Parity Bonds ("Subordinate Debt"), provided that, (i) following an Event of Default under the Indenture, no Subordinate Debt shall be paid prior to the 2010 Bonds or any other Parity Debt in any fiscal year of the Agency, and (ii) if the holder of any Subordinate Debt is a commercial bank, savings bank, savings and loan association or other financial institution which is authorized by law to accept and hold deposits of money or issue certificates of deposit, such holder must agree to waive any common law or statutory right of setoff with respect to any deposits of the Agency maintained with or held by such holder.

Security For the Bonds

Pledge of 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 and first lien on all of the Tax Revenues (except as otherwise provided in Section 5.02 hereof), and, by a pledge of all of the moneys in the Special Fund, the Bond Fund, the Interest Account, the Principal Account, the Reserve Account and the Redemption Fund. The Tax Revenues shall be allocated solely to the payment of the principal and interest, and redemption premium, if any, of the Bonds and to the Reserve Account for the purposes set forth in Section 5.03; except that the Tax Revenues may be apportioned in such amounts for such other purposes as are expressly permitted by Section 5.02. The pledge and allocation of Tax Revenues is for the exclusive benefit of the Bonds and shall be irrevocable until all of the Bonds have been paid and retired or until moneys have been set aside irrevocably for that purpose.

In consideration of the acceptance of the Bonds by those who shall own them from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Agency and the Owners from time to time of the Bonds and the covenants and agreements in the Indenture 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.

Special Fund; Deposit of Tax Revenues. The Agency shall establish and hold a special fund to be known as the "Housing Set-Aside Tax Allocation Bonds Special Fund" (the "Special Fund"). The Agency shall deposit all of the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt thereof; provided, that the Agency shall not be obligated to deposit in the Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in the Special Fund exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, Principal Account and the Reserve Account in such Bond Year pursuant to Section 5.03. On or before the fifth day immediately preceding each Interest Payment Date, the Agency shall transfer from the Special Fund to the Bond Fund an amount equal to the principal and interest owing on the Bonds on such Interest Payment Date and an amount, if any, necessary to increase the amount in the Reserve Account to the Reserve Requirement. Any 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 in the Indentureand may be used for any lawful purposes of the Agency.

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

Bond Fund; Establishment and Maintenance of Accounts. There is hereby established a special fund to be known as the "Housing Set-Aside Tax Allocation Bonds Bond Fund (the "Bond Fund") which shall be held by the Trustee. The Trustee shall receive and deposit to the Bond Fund, the amounts required to be deposited thereto pursuant to Section 5.02 hereof. Within the Bond Fund the Trustee shall establish an Interest Account, a Principal Account and a Reserve Account. All moneys in the Bond Fund shall be transferred and set aside by the Trustee in the following respective special accounts of the Bond 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 one Business Day prior to each Interest Payment Date, the Trustee shall transfer from the Bond 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 and then Outstanding under the Indenture. 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 the Indenture).

(b) Principal Account. At least one Business Day prior to each Principal Payment Date, the Trustee shall transfer from the Bond 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(b) 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. At least one Business Day before each Interest Payment Date and after the deposits required pursuant to the preceding subparagraphs have been made, the Trustee shall withdraw from the Bond 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. There shall be deposited in the Reserve Account from the proceeds of the 2010 Bonds the amount set forth in Section 3.01 hereof as the initial Reserve Requirement. All money in the Reserve Account, and any subaccount therein 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 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 except as otherwise provided in the Indenture, shall, if directed by the Agency, be transferred to the Bond Fund.

The Reserve Requirement may be satisfied, in whole or in part, by crediting to the Reserve Account moneys, a Qualified Reserve Account Credit Instrument. Upon the deposit with the Trustee of such Qualified Reserve Account Credit Instrument and delivery to the Trustee by the Agency of a written calculation of the

amount permitted to be released from the Reserve Account, the Trustee shall transfer such amount from the Reserve Account to the Housing Projects Fund to be applied for lawful redevelopment purposes.

The Reserve Account may be maintained in the form of one or more separate sub-accounts in the case of Tax-Exempt Bonds, for the purpose of holding the proceeds of separate issues of such Tax-Exempt Bonds in conformity with applicable provisions of the Code.

(d) Surplus. Except as may be otherwise provided in any Supplemental Indenture, the Agency shall not be obligated to transfer to the Trustee for deposit in the Bond Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in the Bond 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 Bond Fund on any September 2 after making all of the transfers theretofore required to be made pursuant to the preceding clauses (a), (b) and (c) and pursuant to any Supplemental Indenture, the Trustee shall withdraw such amounts from the Bond Fund and transfer such amounts to the Agency, to be used for any lawful purposes of the Agency permitted by the Law.

Redemption Fund. The Redemption Fund shall be held by the Trustee. On or before the Business Day preceding any date on which the Bonds are to be redeemed pursuant to Section 4.01(a), the Agency shall deposit with the Trustee for deposit in the Redemption Fund (after taking into account moneys, if any, in the Principal Account for such purpose) an amount required to pay the principal of and premium, if any, on the Bonds to be redeemed pursuant to Section 4.01(a). 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.

Establishment of Sub-Accounts For Separate Series of Bonds. If directed in writing by the Agency, the Trustee shall establish and maintain a separate sub-account within each of the Interest Account, the Principal Account, the Reserve Account, the Redemption Fund and the Rebate Account for each separate series of Bonds. In such event, proceeds of sale of any series of Parity Bonds, and amounts required to be held for the payment or security of any series of Parity Bonds, shall be held solely in the respective sub-accounts established for such series of Parity Bonds and shall not be commingled with amounts held in the respective sub-accounts established for any other series of Bonds. For all purposes of the Indenture the sub-accounts established within any account shall be accounted for as a part of such account

Right Reserved to Add to Tax Revenue Pledge. The Agency shall have the right, pursuant to a Supplemental Indenture adopted without the need for Bondholder consent, to amend and revise the definition of Tax Revenues pledged to repayment of the Bonds, but only if, in the opinion of Bond Counsel, said amendment and revision of the definition of Tax Revenues adds additional security to said definition, including by way of example, adding housing set-aside tax increment from additional redevelopment project areas of the Agency to the definition of Tax Revenues.

No Additional City Heights, North Bay or North Park Senior Lien Housing Bonds.

(i) Except as set forth in (iv) below, the Agency will not issue any additional bonds or other obligations under the City Heights 2003 Senior Indenture with a pledge of housing set-aside tax increment from the City Heights Redevelopment Project senior to the pledge of Tax Revenues. The Agency hereby represents that the pledge of housing set-aside tax increment under the City Heights 2003 Senior Indenture is limited to 100% of maximum annual debt service on the City Heights 2003 Senior Bonds;

(ii) Except as set forth in (iv) below, the Agency will not issue any additional bonds or other obligations under the North Bay 2000 Senior Indenture with a pledge of housing set-aside tax increment from the North Bay Redevelopment Project senior to the pledge of Tax Revenues. The Agency hereby represents that the pledge of housing set-aside increment under the North Bay 2000 Senior Indenture is limited to 25% of maximum annual debt service on the North Bay 2000 Senior Bonds; and

(iii) Except as set forth in (iv) below, the Agency will not issue any additional bonds or other obligations under the North Park Senior Indenture with a pledge of housing set-aside tax increment from the

North Park Redevelopment Project senior to the pledge of Tax Revenues. The Agency hereby represents that the pledge of housing tax increment under the North Park Senior Indenture is limited to 24% of the maximum annual debt service on the North Park Senior Bonds (consisting of 24.5% of maximum annual debt service on the North Park 2000 Senior Bonds and 41.1% of maximum annual debt service on the North Park 2003 Senior Bonds).

(iv) Additional bonds on a parity with the Senior Bonds may only be issued under the Senior Bonds Indentures for the purpose of refunding, in whole or in part, the Senior Bonds, or any refunding of all or any portion thereof, and only so long as such refunding results in debt service savings for the refunded Senior Bonds in each fiscal year, and the maturity of the Refunding Bonds is not later than the maturity of the Senior Bonds to be refunded, as evidenced by a Certificate of the Agency.

Bonded Debt Limits. For the purposes of the limitations on aggregate outstanding bonded indebtedness contained in the Redevelopment Plans, the principal amount of the 2010 Bonds shall be allocated among the Redevelopment Projects as follows: $_____ to the City Heights Redevelopment Project; $_____ to the North Bay Redevelopment Project; $_____ to the North Park Redevelopment Project; $_____ to the Crossroads Redevelopment Project; $_____ to the Naval Training Center Redevelopment Project; and $_____ to the San Ysidro Redevelopment Project.

Agency Deposit Fund. There is hereby established a special fund to be known as the "Agency Deposit Fund" (the "Agency Deposit Fund"), which shall be held by the Trustee. The Trustee shall receive and deposit to the Agency Deposit Fund on the Closing Date the Agency Deposit. Amounts on deposit in the Agency Deposit Fund are pledged to repayment of the Bonds, subject to release as set forth in the Indenture, and the Bonds shall be secured by said pledge of and first lien on the Agency Deposit and all of the moneys on deposit in the Agency Deposit Fund.

Moneys on deposit in the Agency Deposit Fund shall be used by the Trustee for transfer to the Interest Account and Principal Account, in said order of priority, if on any Interest Payment Date or Principal Payment Date, the amounts on deposit in said accounts are not sufficient to make a payment then due on the Bonds; provided that the amounts to be withdrawn from the Agency Deposit Fund for said purpose in any Bond Year shall not exceed on any such payment date in said Bond Year the amounts set forth in the following table (each an "Agency Deposit Fund Withdrawal"):

Bond Year	Agency Deposit Fund Withdrawal
[TO COME]	

If, following the end of any Bond Year, any portion of the Agency Deposit Fund Withdrawal for said Bond Year remains on deposit in the Agency Deposit Fund, the Trustee shall transfer said amount to the Agency for use by the Agency for any lawful purpose under the Law.

Moneys in the Agency Deposit Fund shall be invested in Permitted Investments as directed by the Agency. All income received by the Trustee from the investment of moneys in the Agency Deposit Fund shall be transferred and deposited as received by the Trustee into the Special Fund.

Covenants Of The Agency

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 the Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds. Nothing contained in the Indenture shall prevent the Agency from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

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 to the benefits of the 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.

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 Tax Revenues which have, or purport to have, any lien upon the Tax Revenues superior to or on a parity with the lien of the Bonds; provided, however, that nothing in the 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 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.

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.

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 Areas, or upon the revenues therefrom, when the same shall become due. Nothing contained in the Indenture 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 Projects or any part thereof.

Compliance with Law, Completion of Projects. The Agency will comply with all applicable provisions of the Law in completing the Projects 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 Projects subject to either Section 33445 or 33679. In addition, the Agency will comply timely with the public hearing and further requirements of Section 33334.6. The Agency will commence, and will continue to completion, with all practicable dispatch, the Projects and the Projects will be accomplished and completed in a sound and economical manner and in conformity with the Redevelopment Plans and the Law. Notwithstanding the foregoing, the Agency may, in accordance with applicable provisions of the Law, amend the limits of the Redevelopment Plans from time to time in order to extend the term or amount of any of such limits, so long as any such amendment will not reduce the amount of Tax Revenues to be received by the Agency, as certified in a certificate of a Redevelopment Consultant.

Books and Accounts; Financial Statements. The Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City of San Diego, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Projects, the Housing Fund and the Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

Taxation of Leased Property. Whenever any property in the Redevelopment Projects has been redeveloped and thereafter is leased by the Agency to any person or persons (other than a public agency) or whenever the Agency leases real property in the Redevelopment Projects to any person or persons (other than a public agency) 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.

Disposition of Property. The Agency will not participate in the disposition of any land or real property in the Project Areas 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 Plans in effect on the date of the Indenture) if the effect of such disposition would be to cause the amount of Tax Revenues for the then current Fiscal Year or any future Fiscal Year, based on a report (including projections of Tax Revenues) of a Redevelopment Consultant, to fall below 125% of debt service on the Bonds for such Fiscal Year, taking into account all Redevelopment Plan limitations, tax sharing agreements and other factors which would cause a reduction in Tax Revenues in any future Fiscal Year.

Tax Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County.

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 the Indenture and the Law.

Further Assurances. The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Private Activity Bond Limitation. The Agency shall assure that the proceeds of any Tax-Exempt Bonds are not used so as to cause such Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any Tax-Exempt Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Rebate Requirement. The Agency shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to any Tax-Exempt Bonds.

No Arbitrage. The Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of any Tax-Exempt Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of such Bonds, would have caused such Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Maintenance of Tax-Exemption of Tax-Exempt Bonds. The Agency shall take all actions necessary to assure the exclusion of interest on any Tax-Exempt Bonds that are federally tax-exempt from the gross income of the Owners of such Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of such Tax-Exempt Bonds.

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 33333.2(1) of the Law and the Redevelopment Plans.

Continuing Disclosure. The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, at the written request of any participating underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, but only to the extent the Trustee has been indemnified from and against any loss, cost, expense, claim or liability, including, without limitation, fees and expenses of attorneys and additional fees and expenses of the Trustee or any Bondowner may take such actions

as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Agency to comply with its obligations under the Indenture.

Annual Review of Tax Revenues. The Agency shall annually review the total amount of Tax Revenues remaining available to be received by the Agency under the Tax Increment Limitation, future cumulative Annual Debt Service, and future cumulative annual debt service on any Subordinate Debt and in the event such review indicates any such limits may be exceeded while the Bonds remain Outstanding, the Agency shall take appropriate steps to avoid any effect on timely repayment of the Bonds.

The Trustee; Investment Of Moneys

Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall only be obligated to perform such duties as are expressly set forth in the Indenture, and no duties or obligations not expressly set forth in the Indenture shall be implied. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the 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, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), or (ii) if at any time the Trustee shall cease to be eligible in accordance with the Indenture, 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, 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 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 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. If no successor Trustee shall have been appointed and have accepted appointment within thirty (30) 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 the 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 in the Indenture; but, nevertheless at the Written 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 the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. 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 to the trusts under the Indenture 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 the Indenture 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 fifty million dollars ($50,000,000), and subject to supervision or examination by federal or state authority. 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).

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 in the Indenture to the contrary notwithstanding.

Liability of Trustee.

(a) The recitals of facts in the Indenture 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 or sufficiency of the Indenture or of the Bonds nor shall incur any responsibility in respect thereof, other than as expressly stated in the Indenture. 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 act through agents, attorneys and receivers and shall not be liable for the acts or omissions of any agents, attorneys or receivers selected by it with due care. 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 depositary 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 Owners of not less than a majority in aggregate principal amount (or other percentage provided for in the Indenture) 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 the 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 the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default unless and until it shall have actual knowledge thereof, or shall have received written notice thereof, at its Corporate Trust Office. Except as otherwise expressly provided in the Indenture, 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 in the Indenture 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 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 its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Tax Revenues into the Bond Fund and the investment and application of moneys on deposit in the Bond Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(f) The Trustee shall not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays or suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(g) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Indenture provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

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 in good faith and in accordance therewith.

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 trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be in the Indenture 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 the Indenture in reliance upon such written certificate.

No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee shall be entitled to interest on any amounts advanced by it at the maximum rate permitted by law.

The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the 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 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.

Compensation and Indemnification. The Agency shall pay to the Trustee from time to time all compensation for all reasonable services rendered under the 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 the Indenture.

The Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees harmless against any costs, claims, loss, expense and liabilities which it may incur arising out of or in the acceptance, 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 obligations of the Agency under this paragraph shall survive resignation or removal of the Trustee under the Indenture and payment of the Bonds and discharge of the Indenture.

Deposit and Investment of Moneys in Funds. Moneys in the Interest Account, the Principal Account, the Reserve Account, the Redemption Account, the Housing Projects Fund and the Costs of Issuance Fund shall be invested by the Trustee in Permitted Investments as specified by the Treasurer of the Agency and shall be promptly confirmed in writing by the Agency with the Trustee within at least one (1) Business Day. 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 (8) 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 the 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 in the Indenture(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 respective subaccounts of the Reserve Account shall be deposited by the Trustee in the Interest Account, but only to the extent that the amount remaining in the respective subaccounts of the Reserve Account following such deposit is equal to the Reserve Requirement for the applicable series of Bonds.

The Agency acknowledges that to the extent regulations of the Controller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Agency periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

Moneys credited to any fund or account under the Indenture which are uninvested pending disbursement or receipt of proper investment directions or as directed by the Agency as provided in the Indenture, may be deposited to and held in a non-interest bearing demand deposit account established with the commercial banking department of the Trustee or any bank affiliated with the Trustee.

The Trustee may make any investments in the Indenturethrough its own bond or investment department or trust investment department, or those of its parent or any affiliate.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

For purposes of acquiring any investments hereunder, the Trustee may in its discretion commingle funds held by it hereunder. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture. 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, other than in the case of the Reserve Account (where accrued interest shall be included) and excluding brokerage commissions, if any). In making any such valuations, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system.

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 corporate trust 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 the 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 the Indenture, which may be in the form of the Trustee's regular monthly statement.

Appointment of Co Trustee or Agent. It is the purpose of the 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 the 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 granted in the Indenture to the Trustee or hold title to the properties, in trust, as granted in the Indenture, 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 the Indenture 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 the 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, trusts, 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, trusts, 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.

Rebate of Excess Investment Earnings to United States. The provisions of the Indenture shall apply only to any Tax-Exempt Bonds outstanding under the Indenture that are subject to the requirements set forth in the Indenture with respect to rebate under the Code.

(a) Obligation to Calculate Excess Investment Earnings. The Agency shall calculate or cause to be calculated, and shall provide or cause to be provided written notice to the Trustee of, the excess investment earnings (as defined in the Code, "Excess Investment Earnings") at such times and in such manner as may be

required pursuant to the Code. The Agency shall inform the Trustee how frequently calculations are to be made, and shall ensure that a copy of all such calculations is given promptly to the Trustee.

(b) Rebate to United States. The Agency agrees to deposit with the Trustee, promptly upon the receipt of any calculations made pursuant to the preceding subsection (a), the amount of Excess Investment Earnings so calculated. The Trustee shall deposit all amounts paid to it for such purpose by the Agency in the Rebate Account which account is hereby established with the Trustee. The Trustee shall pay to the United States of America from the amounts on deposit in the Rebate Account such amounts as shall be identified pursuant to written notice filed with the Trustee by the Agency for such purpose from time to time. Payments to the United States of America shall be made to the address prescribed by the Tax Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Tax Regulations. Following payment in full to the United States of America of all amounts due and owing under this subsection (b) and under the Code, the Trustee shall withdraw from the Rebate Account and transfer to the Agency all amounts remaining on deposit in the Rebate Account. The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of the Indenture regarding calculation and payment of rebate if it follows the directions of the Agency and it shall have no independent duty to review such calculations or enforce compliance by the Agency with such rebate requirements.

(c) Investment Transactions. The Agency shall assure that Excess Investment Earnings are not paid or disbursed except as required in The indenture. To that end the Agency shall assure that investment transactions are on an arm's-length basis. In the event that Permitted Investments consist of certificates of deposit or investment contracts, investment in such Permitted Investments shall be made in accordance with the procedures described in the Tax Regulations.

(d) Maintenance of Records. The Agency shall keep, and retain for a period of six (6) years following the retirement of such Tax-Exempt Bonds, records of the determinations made pursuant to the Indenture.

(e) Engagement of Professional Services. In order to provide for the administration of the covenants in the Indenture, the Agency may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Agency may deem appropriate.

(f) Modification. Any of the provisions of the section in the Indenture relating to rebate calculations may be amended, modified or deleted in any manner whatsoever in the event that the Agency shall cause to be filed with the Trustee written directions making such amendment, modification or deletion, which written directions are accompanied by an opinion of Bond Counsel stating that such amendment, modification or deletion will not cause interest on the Bonds to be includable in gross income of the Bondowners for federal income tax purposes.

Modification Or Amendment Of The Indenture

Amendments Permitted. The 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 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 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 the 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.

The 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, 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 the Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any right or power reserved in the Indenture to or conferred upon the Agency; or

(b) to make modifications not adversely affecting any Outstanding series of Bonds of the Agency in any material respect, including an amendment pursuant to Section 5.05 hereof; 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 the Indenture, or in regard to questions arising under the Indenture, as the Agency and the Trustee may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the rights of the Owners of the 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.

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.

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 the 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 the Indenture. 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 the Indenture 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 the Indenture 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 the Indenture 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 the Indenture 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 the Indenture (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 the Indenture 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 the Indenture) 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.

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 the Indenture, and shall not be entitled to vote upon, consent to, or take any other action provided for in the Indenture.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under the Indenture of the Agency and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture 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 the Indenture for any and all purposes.

The Agency or the Trustee may adopt appropriate regulations to require each Bondowner before his consent provided for in the Indenture shall be deemed effective to reveal if the Bonds as to which such consent is given are disqualified as provided in Section 8.04.

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 the Indenture 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 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, without cost to any Bondowner, for Bonds then Outstanding, upon surrender of such Bonds.

Amendatory Endorsement of Bonds. The provisions of the Indenture 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.

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 the Indenture have been complied with.

Events Of Default And Remedies Of Bondowners

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 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 the 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 and if corrective action is instituted by the Agency within such thirty (30)-day period, the Agency may diligently pursue such corrective action until such failure is corrected, but in no event more than 90 days following the receipt by the Agency of such notice; or

(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.

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, and if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, the Trustee shall (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of Section 9.06, exercise any other remedies available to the Trustee and the Bondowners in law or at equity.

Immediately upon obtaining actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Agency by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clause (a) or (c) above the Trustee shall, and with respect to any Event of Default described in 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 in the Indenture for notices of redemption of the Bonds.

Upon declaration of an Event of Default, the Agency shall transfer the Special Fund and all moneys therein to the Trustee who shall hold such Special Fund for the benefit of the Bondholders until such Event of Default shall have been cured.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the 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 Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, 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 the Indenture, the Trustee agrees to enforce by mandamus, suit or other proceeding at law or in equity the covenants and agreements of the Agency.

Application of Funds Upon Acceleration. All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee upon the date of the declaration of acceleration (other than the Rebate Account) as provided in Section 9.01, 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; and

Second, to the payment of the whole amount then owing and unpaid upon the 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 (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, 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 over any other Bond, ratably to the aggregate of such principal and interest.

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, 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 opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Bondowners' Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority 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 costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture 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 provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of the Indenture or any other provision of the Indenture.

Non-waiver. Nothing in the 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 provided in the, 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.

A waiver of any default by any Bondowner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Bondowners by the Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners of the Bonds.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Bondowners, the Agency and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Actions by Trustee as Attorney in Fact. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact; provided, however, the Trustee shall have no obligation to exercise any rights or remedies under the Indenture unless it has been indemnified to its satisfaction by the Owners from any liability or expense, including attorneys' fees. All rights of action under the 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 Owners of such Bonds, subject to the provisions of the Indenture.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Owners of Bonds in the Indenture 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 under the Indenture 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.

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 the 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, nonredeemable Defeasance Securities 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 with the interest to accrue thereon and moneys then on deposit in the funds and accounts established pursuant to the 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 the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice,

then notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Agency under the 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 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 the 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 shall be paid over to the Agency.

Waiver of Personal Liability. 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 Bonds; but nothing in the Indenture contained shall relieve any such member, officer, agent or employee from the performance of any official duly provided by law.

APPENDIX E

FORM OF BOND COUNSEL OPINION

_____, 2010

Redevelopment Agency of the
City of San Diego
San Diego, California

Re: $_____ Redevelopment Agency of the City of San Diego, Housing Set-Aside Tax Allocation Bonds, Series 2010 A (Taxable)

Ladies and Gentlemen:

We have examined certified copies of proceedings of the Redevelopment Agency of the City of San Diego (the "Agency"), and other information and documents submitted to us relative to the issuance and sale by the Agency of its Housing Set-Aside Tax Allocation Bonds, Series 2010 A (Taxable) in the aggregate principal amount of $_____ (the "Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Agency and the initial purchasers of the Bonds. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the authority contained in Part 1 of Division 24 of the Health and Safety Code of the State of California and California Government Code Section 5903 (collectively, the "Act"), a resolution of the Agency adopted on _____, 2010, and in accordance with the terms and conditions of an Trust Indenture dated as of August 1, 2010 (the "Indenture"), by and between the Agency and U.S. Bank National Association, as trustee. All terms not defined herein have the meanings ascribed to those terms in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon, and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Bonds have been duly and validly authorized by the Agency and are valid and binding special obligations of the Agency and, except as specifically limited in the Indenture, payable solely from Tax Revenues (as defined in the Indenture) and other sources as and to the extent provided for in the Indenture. The Bonds are enforceable in accordance with their terms and the terms of the Indenture, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other laws affecting creditors' rights generally and by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State of California.

2. The Indenture has been duly authorized by the Agency, is valid and binding upon the Agency and is enforceable in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other laws affecting creditors' rights generally and by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State of California..

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) evidenced by the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

4. Interest (and original issue discount) on the Bonds is exempt from personal income taxes imposed in the State of California.

5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond.

Except as expressly set forth in paragraphs (3), (4), and (5), we express no opinion regarding any tax consequences with respect to the Bonds.

Any federal tax advice contained herein with respect to the Bonds is not intended or written to be used, and it cannot be used, for the purpose of avoiding penalties under the Code. The federal tax advice contained herein with respect to the Bonds was written to support the promoting and marketing of the Bonds. Before purchasing any of the Bonds, all potential purchasers should consult their independent tax advisors with respect to the tax consequences relating to the Bonds and the taxpayer's particular circumstances.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction and express no opinion as to the enforceability of the choice of law provisions contained in the Indenture.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the Owners of the Bonds with respect to matters contained in the Official Statement or other offering material.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur).

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO HOUSING SET-ASIDE TAX ALLOCATION BONDS, SERIES 2010 TAXABLE

This Continuing Disclosure Certificate, dated as of _____, 2010 (this "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 Housing Set-Aside Tax Allocation Bonds, Series 2010A Taxable (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of August, 2010 (the "Indenture"), between the Agency and the U.S. Bank National Association, as trustee. In connection therewith, the Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters 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 when used in this Disclosure Certificate:

"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 the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system, and any other Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently recognized by the Securities and Exchange Commission are set forth in the SEC website located at http: / /www.sec.gov /info/municipal/nrmsir.htm.

"Official Statement" means the Official Statement, dated _____, 2010, relating to the Bonds.

"Participating Underwriters" shall mean the original Underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the 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 2009-2010 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 Redevelopment Project 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 Areas; (ii) list of top ten largest local secured property taxpayers within the Project Areas; (iii) calculation of the debt service coverage ratio for such Fiscal Year, including any Parity Bonds, calculated in the same manner as provided in the Official Statement under the Section entitled "THE PROJECT AREAS—Debt Service Coverage" and (iv) a description of outstanding indebtedness payable from 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 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 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 Municipal Securities Rulemaking Board and each State Repository. 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 Bonds or upon the delivery to the Agency and the Dissemination Agent (if not the same as the Agency) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Agency. The Dissemination Agent, if other than the Agency, may resign as Dissemination Agent by providing thirty days written notice to the Agency and the Trustee. The Dissemination Agent, if other than the Agency, shall not be responsible for the content of any report or notice prepared by the Agency. The Dissemination Agent , if other than the Agency, shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Agency in a timely manner and in a form suitable for filing.

The Agency may satisfy its obligations hereunder to file any notice, document or information with a National Repository or State Repository by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such National Repository or State Repository, to the extent permitted by the SEC or SEC staff or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the dissemination agent or conduit has received an interpretive letter, which has not been revoked, from the SEC staff to the effect that using the agent or conduit to transmit

information to the National Repository and State Repository will be treated for purposes of the Rule as if such information were transmitted directly to the National Repository and State Repository.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived (provided no amendment that modifies or increases its duties or obligations of the Dissemination Agent shall be effective without the consent of the Dissemination Agent), provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

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

Section 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the 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 Bondholders, or any other party. Other than in the case of the negligence or willful misconduct of the Dissemination Agent, the Dissemination Agent shall not have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from any breach of any obligation of the Dissemination Agent. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO

By: _____
Its: _____

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX G HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, FOR USE IN SECURITIES OFFERING DOCUMENTS, AND THE AGENCY TAKES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF. THE AGENCY CANNOT GIVE ANY ASSURANCES THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE THE BENEFICIAL OWNERS EITHER (A) PAYMENTS OF INTEREST, PRINCIPAL OR PREMIUM, IF ANY, WITH RESPECT TO THE BONDS OR (B) CERTIFICATES REPRESENTING OWNERSHIP INTEREST IN OR OTHER CONFIRMATION OF OWNERSHIP INTEREST IN THE BONDS, OR THAT THEY WILL SO DO ON A TIMELY BASIS OR THAT DTC, DTC DIRECT PARTICIPANTS OR DTC INDIRECT PARTICIPANTS WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

1. DTC will act as securities depository for the Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 issuer or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond 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.

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

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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