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

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2010

NEW ISSUE - Book-Entry Only

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

In the opinion of Best Best & Krieger LLP, Bond Counsel to the Agency, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2010A Bonds. Interest on the 2010B Bonds is not excluded from gross income for federal income tax purposes. In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, interest on the 2010B Bonds is exempt from State of California personal income taxes. See "TAX MATTERS".

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

$_____
City Heights Redevelopment Project
Tax Allocation Bonds
2010 Series A (Tax Exempt)

$_____
City Heights Redevelopment Project
Tax Allocation Bonds
2010 Series B (Taxable)

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

The Redevelopment Agency of the City of San Diego (the "Agency") is issuing its Tax Allocation Bonds, $_____ 2010 Series A (Tax Exempt) (the "2010A Bonds") and $_____ Series B (Taxable) (the "2010B Bonds," and together the "2010 Bonds").

Authority for Issuance. The 2010 Bonds are being issued in accordance with a Master Trust Agreement dated as of April 1, 1999, (the "Agreement"), as supplemented by a First Supplemental Trust Agreement dated as of April 1, 1999, a Second Supplemental Trust Agreement, dated as of April 1, 1999, and a Third Supplemental Trust Agreement, dated as of August 1, 2010, (together the "Agreements") 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 2010A Bonds will be used to (i) fund redevelopment projects of the Agency within the City Heights Redevelopment Project, (ii) pay certain costs of issuance, and (iii) fund a reasonably required reserve fund. The proceeds of the 2010B Bonds will be used to (i) repay a certain bank line of credit of the Agency; (ii) finance redevelopment activities in the City Heights Redevelopment Project; and (iii) provide for a reserve fund; and (iv) pay the costs of issuing the 2010B Bonds. See "FINANCING PLAN."

Security for the 2010 Bonds. The 2010 Bonds are special obligations of the Agency payable from and secured by Pledged Tax Revenues (as defined herein). Pledged Tax Revenues are derived from the tax increment allocated to the Agency from the City Heights Redevelopment Project, excluding amounts payable to the Agency's low and moderate income housing fund, and amounts payable to other taxing agencies pursuant to tax sharing agreements. 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 INFORMATION AND LOGO]

Existing and Future Parity Obligations. The 2010 Bonds are issued in a parity with the Agency's $5,690,000 Tax Allocation Bonds, Series 1999A and $10,141,000 Tax Allocation Bonds, Series 1999B (together, the "1999 Bonds"). See "SECURITY FOR THE 2010 BONDS – Existing Parity Obligations." 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.

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*

City Heights Redevelopment Project
Tax Allocation Bonds
2010 Series A (Tax Exempt)

(Base CUSIP:† _____)

$_____ Serial Bonds

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

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

City Heights Redevelopment Project
Tax Allocation Bonds
2010 Series B (Taxable)

(Base CUSIP:† _____)

$_____ Serial Bonds

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

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

† 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 CITY HEIGHTS REDEVELOPMENT PROJECT

OFFICIAL STATEMENT

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

$_____*	$_____*
City Heights Redevelopment Project	**City Heights Redevelopment Project**
Tax Allocation Bonds	**Tax Allocation Bonds**
2010 Series A (Tax Exempt)	**2010 Series B (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 above captioned $_____* City Heights Redevelopment Project Tax Allocation Bonds 2010 Series A (Tax Exempt) (the "2010A Bonds") and $_____* City Heights Redevelopment Project Tax Allocation Bonds 2010 Series B (Taxable) (the "2010B Bonds") (together the "2010 Bonds"). 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 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 Master Trust Agreement, dated as of April 1, 1999, (the "Agreement"), by and between the Agency and U.S. Bank National Association (the "Trustee") as amended by that First Supplemental Trust Agreement, dated as of April 1, 1999, a Second Supplemental Trust Agreement, dated as of April 1, 1999, and a Third Supplemental Trust Agreement, dated as of August 1, 2010, by and between the Agency and the Trustee (the "Third Supplemental Agreement" and together, the "Agreements").

Purpose of Issuance

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

- To provide for a reserve fund.
- To pay the costs of issuing the 2010A Bonds.
- To finance certain redevelopment projects in the City Heights Redevelopment Project.

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

- To provide for a reserve fund.
- To pay the costs of issuing the 2010B Bonds.
- To provide funds to repay an outstanding letter of credit and to fund certain other redevelopment projects in the City Heights Redevelopment Project.

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* Preliminary, subject to change.

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 "Pledged Tax Revenues." Pledged Tax Revenues is, in general, defined in the Agreement as tax increment revenues derived from the City Heights Redevelopment Project Area, excluding moneys required to be deposited into the Agency's Low and Moderate Income Housing Fund pursuant to the Redevelopment Law and excluding moneys payable to other taxing entities pursuant to certain tax sharing agreements.

Existing Parity Obligations. 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, of capital appreciation bonds 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 accreted value of the 1999 B Bonds is $16,988,336 as of June 30, 2010.

Future Parity Obligations. The Agency is permitted under the Agreement 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.

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 tax increment less the amount allocated to pay the Housing Set-Aside, and less amounts payable to other taxing entities pursuant to tax sharing agreements. See "SECURITY FOR THE 2010 BONDS," herein.

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 1, 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, permanently 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 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 AGREEMENT." This Official Statement contains brief descriptions of, among other things, the 2010 Bonds, the Indenture, the Agency and the City Heights Redevelopment Project. 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 Agreement 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 Redevelopment Plan

The Agency expects to use certain proceeds of the 2010 Bonds to finance the following Projects of benefit to the City Heights Redevelopment Project:

2010A Bonds

Proceeds of the 2010A Bonds are expected to be used for upgrading public improvements, acquisition, new construction and commercial rehabilitation of the City Heights Redevelopment Project.

2010B Bonds

Proceeds of the 2010B Bonds are expected to be used to pay in full a promissory note to San Diego Revitalization Corporation. Additional uses will include acquisition, rehabilitation, new construction and potential opportunity purchases within the City Heights Redevelopment Project.

The Bank Line of Credit

The Agency will also use a portion of the proceeds of the 2010 Bonds to repay a bank line of credit from U.S. Bank, as successor in interest to San Diego National Bank (the "Bank") for non-housing redevelopment projects for the City Heights Redevelopment Project. The Bank line of credit was obtained under a credit agreement between the Agency and the Bank entered into on July 26, 2007, as amended and extended July, 2010, and is in the following outstanding amount:

Project Area	Bank Line of Credit	Amount Drawn
City Heights	$20,000,000	$2,011,123

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:	2010A Bonds	2010B Bonds	Total
Par Amount			
Plus: Other Available Monesy			
[Less: Original Issue Discount/Plus: Original Issue Premium			
Total Sources			
Uses:			
Costs of Issuance[1]			
Deposit to Reserve Account			
Deposit to Redevelopment Fund			
Pay to Bank to repay Line of Credit			
Total Uses			

[1] Includes Underwriter's discount, fees and expenses of bond counsel, disclosure counsel, 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. 2010A Bonds. The 2010A Bonds maturing on or before September 1, 2020, are not subject to redemption prior to maturity. The 2010A Bonds maturing on or after September 1, 2021 shall be subject to 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 2010A 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 2010A Bond equal to the principal amount thereof, with accrued interest to the date of redemption, without premium.

2010B Bonds. The 2010B Bonds maturing on or before September 1, 2020, are not subject to redemption prior to maturity. The 2010B Bonds maturing on or after September 1, 2021 shall be subject to 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 2010B 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 2010B Bond equal to the principal amount thereof, with accrued interest to the date of redemption, without premium.

Sinking Fund Redemption. 2010A Bonds. The 2010A 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:

2010A Term Bond Due September 1, __

Payment Date (September 1)	Amount

2010A Term Bond Due September 1, __

Payment Date (September 1)	Amount

2010B Bonds. The 2010B 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:

2010B Term Bond Due September 1, __

Payment Date (September 1)	Amount

2010B 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; provided however that no 2010 Bonds may be purchased with a settlement date more than 90 prior to the redemption date.

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.

City Heights Redevelopment Project
Tax Allocation Bonds
Bonds Debt Service Schedule

Year Ending (September 1)	1999 Bonds Total Debt Service	2010A Bonds Principal	2010A Bonds Interest	2010A Bonds Total	2010B Bonds Principal	2010B Bonds Interest	2010B Bonds Total	Grand 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 Agreement, 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 Revenue Fund, the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Fund, and
- all amounts derived from the investment of the moneys in these accounts.

Allocation of Taxes

As provided in the Redevelopment Plan for the City Heights Redevelopment Project (the "Plan"), and pursuant to Article 6 of Chapter 6 of the Law (commencing with Section 33670) and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the City Heights Redevelopment Project each year by or for the benefit of the State of California and any city, county, city and county or other public corporation for fiscal years beginning after the effective date of the City Heights Redevelopment Project, are divided as follows:

1. To taxing agencies: 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 City Heights Redevelopment Project, 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 adopting the Plan, shall be allocated to, and when collected shall be paid to, the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid.

2. To the Agency: Except as provided in subparagraphs 3, 4 and 5 below, the portion of the levied taxes each year in excess of the amount described in subparagraph 1, above, shall be allocated to, and when collected shall be paid into, a special fund of the Agency to pay the principal of and interest on the 2010 Bonds and Parity Bonds, loans, monies advanced to, or other indebtedness incurred by the Agency to finance or refinance, in whole or in part, the City Heights Redevelopment Project.

3. To taxing agencies: That portion of the taxes in excess of the amount identified in subparagraph 1, above, which are attributable to a tax rate levied on or after January 1, 1989 by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, and bonded indebtedness for the acquisition or improvement of real property shall be allocated to, and when collected shall be paid into, the fund of that taxing agency.

4. To County administrative fee: Legislation originally enacted in 1990, Senate Bill 2557 (Stats. 1990, chapter 466, §4, which amended Revenue and Taxation Code Section 97), and additional legislation enacted in 1992, Senate Bill 1559 (Stats. 1992, chapter 697, §13, which amended Revenue and Taxation Code Section 97.5), authorized county auditors to determine property tax administrative costs proportionately attributable to local jurisdictions and, commencing in the 1992-93 Fiscal Year, the amounts due as local agencies' contributions to cover county administrative costs are to be allocated to the county as part of the overall system for the redistribution of property taxes (as opposed to being paid pursuant to invoices). In 1994, Assembly Bill 3347 (Stats. 1994, chapter 1167) was enacted, which, in pertinent part, clarified and reorganized California's property tax statutes. That legislation added Revenue and Taxation Code Sections 95.2 and 95.3, which now set forth the statutory authorization for the county auditor's recovery of property tax administrative costs. Section 95.3 expressly includes redevelopment agencies as jurisdictions that are to be charged for property tax administrative costs, commencing in the 1992-93 fiscal year. The charge resulting from this legislation is estimated at 1.05% of Tax Revenues based on past administrative charges. The Agency excludes

the County administrative fee from the definition of Tax Revenues and those fees are not considered Tax Revenues for purposes of the housing set-aside discussed below or for the determination of compliance with tax increment limitations.

5. To Taxing Agencies: That portion of the taxes reserved to taxing entities which adopted resolutions under former Health and Safety Code Section 33676 shall be paid to such taxing entities. The City of San Diego, the San Diego County Water Authority and the Metropolitan Water District of Southern California adopted such resolutions with respect to the City Heights Redevelopment Project. The City of San Diego has suspended its resolution for the life of the 1999 Bonds and any Parity Bonds (including the 2010 Bonds) so that amounts otherwise reserved to the City under its resolution will be available to the Agency as Tax Revenues.

Housing Tax Revenues

The Law (Health and Safety Code Section 33334.2) requires that, except under certain circumstances, 20 percent of the Tax Revenues allocated to the Agency as described above be set aside and placed in the low and moderate income housing fund (the "Housing Tax Revenues") to be used for the purpose of increasing, improving and/or preserving the community's supply of low and moderate income housing. The Agency intends to set aside 20% of Tax Revenues for low and moderate income housing purposes. The Housing Tax revenues are not pledged toward the payment of debt service on the Bonds.

Pledged Tax Revenues

Tax Revenues, less Housing Tax Revenues described above, are herein called "Project Tax Revenues." Pledged Tax Revenues for the Bonds include all Project Tax Revenues received by the Agency (or by the Trustee on behalf of the Agency) (except for amounts payable for each such year to certain taxing entities under the Cooperation Agreements described under "Cooperation Agreements" below) in an amount that is equal to Annual Debt Service for the Bonds for such Bond Year, plus an amount, if any, required to maintain the Debt Service Reserve Funds at the Reserve Requirement. As discussed below under "- Cooperation Agreements," amounts payable under the Cooperation Agreements are subordinate to the payment of the 2010 Bonds and parity bonds.

All Pledged Tax Revenues, and other Agency moneys held by the Trustee, as described above, are irrevocably pledged to the punctual payment of principal, interest, and redemption premiums, if any, on the Bonds, and the Pledged Tax Revenues, and such other money, will not be used in any manner other than those specified in the Agreements so long as any 2010 Bonds remain Outstanding. Such pledge constitutes a first lien on the Tax Revenues and such other money for the payment of the 2010 Bonds in accordance with the terms thereof. All the Pledged Tax Revenues, together with any interest earned thereon, will, so long as any 2010 Bonds are Outstanding under the Agreements, be deposited in accordance with the terms of the Agreements. Notwithstanding the foregoing, there will not be deposited with the Trustee for deposit in any account under the Agreements any Tax Revenues in an amount in excess of that amount which, together with all moneys then on deposit with the Trustee in any account created under the Agreements, will be sufficient to discharge all Outstanding Bonds as provided in the Trust Agreements. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENTS" herein.

Cooperation Agreements

In addition to the resolutions authorized under former Health and Safety Code Section 33676, described above, a redevelopment agency may enter into pass-through tax-sharing agreements (also known as Cooperation Agreements) authorized under Section 33401 of the Law with taxing agencies, whereby such taxing agencies become entitled to receive a portion of Tax Revenues generated by the redevelopment project area. The Agency has entered into such Cooperation Agreements with the County, the San Diego Unified School District, the San Diego Community College District and the San Diego County Office of Education (the "Taxing Entities") for the City Heights Redevelopment Project. All of the Cooperation Agreements specify that payments thereunder are subordinate to the payment of debt service on any bonds the Agency issues, however, the Agency is obligated to size its bond issuance to take into account the payment of amounts under the Cooperation

Agreements. The Agency believes it has met that obligation. For purposes of this issuance, the Taxing Entities have agreed that any revenues attributed to the City's suspension of its Section 33676 Resolution will not be included in "property tax revenues" under their respective Cooperation Agreements with the Agency for certain purposes. See "THE CITY HEIGHTS REDEVELOPMENT PROJECT – Projection of Tax Revenues and Estimated Coverage" herein.

Limited Obligation

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate, could reduce the amount of Tax Revenues that would otherwise be available to pay the principal of, and interest on, the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

THE BONDS ARE NOT A DEBT OF THE CITY OF SAN DIEGO, THE STATE OF CLAIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY TO THE EXTENT SET FORTH HEREIN) IS LIABLE THEREON, THE INTEREST, PRINCIPAL AND ACCRETED VALUE OF THE BONDS ARE PAYABLE SOLELY FROM PLEDGED TAX REVENUES ALLOCATED TO THE AGENCY FOR THE CITY HEIGHTS REDEVELOPMENT PROJECT AND CERTAIN LIMITED FUNDS HELD BY THE TRUSTEE UNDER THE TRUST AGREEMENTS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION.

Reserve Requirements

In order to further secure the payment of principal of, and interest on the 2010 Bonds, the Agency is required upon delivery of each Series of Bonds on the Closing Date, to fund the Reserve Fund established by the Agreements to the least of: (i) Maximum Annual Debt Service for each Series of Bonds, (ii) 125 percent (125%) of average Annual Debt Service for each Series of Bonds, (iii) the amount equal to ten percent (10%) of the proceeds of each Series of Bonds; or (iv) such other amount set forth in the applicable Supplement Trust Agreement (the "Initial Reserve Requirement") and thereafter maintain the Reserve Fund at an amount equal to the lesser of the aggregate Initial Reserve Requirement or Maximum Annual Debt Service on all Bonds, collectively the "Reserve Requirement."

On or prior to each Interest Payment Date, after depositing funds into the Interest Account of the Debt Service Fund and Principal Account of the Debt Service Fund necessary for the payment of interest, principal and Accreted Value of the Bonds, the Trustee shall deposit from the remaining balance of funds in the Revenue Fund the amount of money necessary to increase the amount on deposit in the Reserve Fund to an amount equal to the Reserve Requirement. The Agency may deposit a surety bond, letter of credit, policy of insurance or any other security device in the Reserve Fund in lieu of cash to satisfy all or a portion of the applicable Reserve Requirement. See "APPENDIX D –SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENTS."

Issuance of Parity Bonds

The Agency may provide for the issuance of, and sell, other bonds, notes and indebtedness payable from all or a portion of Tax Revenues on a parity with the Bonds ("Parity Bonds"), subject to the following conditions precedent to such sale:

1. A certificate shall be delivered to the Trustee from an Authorized Agency Representative stating that no Event of Default under the Agreements has occurred and is then continuing.

2. A report from an Independent Accountant or Independent Redevelopment Consultant shall accompany the certificate required under subparagraph 1, showing that the Project Tax Revenues to be collected in the then current Bond Year will be at least equal to 125% of Maximum Annual Debt Service for all Parity

Bonds which will be Outstanding immediately after the issuance of the proposed Parity Bonds. In addition to, and notwithstanding the requirements of the previous sentence, "125% of Maximum Annual Debt Service for all Parity Bonds" shall instead be read as "140% of Maximum Annual Debt Service for all Parity Bonds" until such time that a report of an Independent Redevelopment Consultant is delivered to the Trustee stating that Project Tax Revenues, based on 85% of the assessed value of the Project Area for the then current Fiscal Year, is at least 1.00 times the Annual Debt Service on Outstanding Bonds and Parity Bonds.

3. The Agency shall certify to the Trustee that the aggregate amount of the principal of and interest on all Outstanding Bonds, Parity Bonds and other Agency indebtedness coming due and payable following the issuance of such Parity Bonds shall not exceed the maximum amount of Tax Revenues permitted under the Redevelopment Plan to be allocated and paid to the Agency following the issuance of such Parity Bonds.

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

5. The applicable Reserve Fund(s) shall be increased to the applicable Reserve Requirement, taking into account the issuance of the Parity Bonds.

6. The Agency shall deliver to the Trustee a certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Bonds set forth in the Trust Agreements for the Bonds have been satisfied and that the deposit into the applicable Reserve fund as set forth above has been made.

The Agency may issue Parity Bonds for the purpose of refunding in whole or in part one or more series of Outstanding Bonds without complying with the provisions of Clause 2 above if, instead, there is delivered to the Trustee a certificate of the Authorized Agency Representative, as defined in Appendix D hereto, showing that Maximum Annual Debt Service on all Outstanding Bonds payable from Project Tax Revenues after the issuance of the refunding Series of Bonds will not exceed Maximum Annual Debt Service on all Outstanding Bonds payable from such Project Tax Revenues prior to the issuance of such Series of Bonds. In addition, the foregoing requirements shall not preclude the Agency from issuing subordinate bonds or other obligations payable from any lawfully available source of funds (including Tax Revenues) or from issuing bonds or other obligations payable from Housing Tax Revenues.

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 ordinance pursuant to SB211 eliminating the time limit on incurring indebtedness from the City Heights Redevelopment Plan.

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.

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 City Heights Redevelopment Project was formed after the 1980/81 fiscal year and has 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 City Heights Redevelopment Project for this purpose and allocated to City Heights is $127,302.

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.

Low and Moderate Income Housing Fund

The Redevelopment Law requires that, except under certain circumstances, redevelopment agencies set aside 20% of all gross tax increment revenues derived from redevelopment project areas into a low and moderate income housing fund, to be used for the purpose of increasing, improving and/or preserving the community's supply of low and moderate income housing. The Housing Set-Aside Amounts are not pledged to and are not available to pay debt service on Agency obligations, unless and to the extent the proceeds of such obligations are deposited in the Low and Moderate Income Housing Fund of the Agency. The Housing Set-Aside Amounts do not secure payment of debt service on the 2010 Bonds.

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 the 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 AREA

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 eight 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 1
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 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.

Redevelopment Plan Limitations

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 Redevelopment Plans 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, the City Council adopted an ordinance for the City Heights Redevelopment Project as described above, extending by one year the date of effectiveness of the Redevelopment Plan and the time allowed to pay indebtedness or receive property taxes.

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. The City Heights Redevelopment Plan has more than 20 years remaining.

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 the City Heights Redevelopment Project, 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 the City Heights Redevelopment Project. The Agency has currently received $75,400,035 in tax increment revenues for the City Heights Redevelopment Project.

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.

Parity Bonds Outstanding

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, as capital appreciation bonds 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"). As of June 30, 2010, the accreted value of the 1999 B Bonds is $16,988,336.

Other Outstanding Obligations of the City Heights Redevelopment Project

The Agency currently has certain outstanding bonds that have a lien on Housing Tax Revenues. These Bonds include 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 as of June 30, 2010 (together the "City Heights 2003 Senior Bonds"). The Agency used 100% of the proceeds of the City Heights Senior Bonds for housing purposes.

Additionally, the Agency is issuing its $_____ Housing Set-Aside Tax Allocation Bonds Series 2010A Taxable (the "Housing Bonds"), a portion of which are payable from the City Heights Redevelopment Project Low and Moderate Income Housing Fund on a basis subordinate to the City Heights Senior 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 anticipates that this line of credit will be paid in full with 2010B Bonds. 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 bond issues, payable from non-housing tax increment with respect to the $20 million line of credit and from housing tax increment with respect to the $11 million 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 outstanding as of June 30, 2010 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 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 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 as of June 30, 2010. The Agency expects to use a portion of the proceeds of the 2010B Bonds to fully pay the Developer the Note when due under the requirements of the DDA.

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).

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. The City Heights Redevelopment Project's share of non-CDBG related debt is $11,348,955 ($6,424,040 principal and $4,924,915 interest).

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 2
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 3
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 4
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, 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. In addition to appeals, the State Board of Equalization has notifed assessors that the Consumer Price Index to be applied to the Fiscal Year 2010-2011 assessment roll is 0.997361, representing a decrease of 0.237%. The chart below summarizes the overall reduction in assessed value and its impact on incremental value.

	City Heights
2009-10 A.V. Reduction	-10%
2009-10 Incremental Value Reduction	-17%
Est. 2010-11 A.V. Reduction	-8%
Est. 2010-11 Incremental Value Reduction	-15%
Est. 2011-12 A.V. Reduction	-3%
Est. 2011-12 Incremental Value Reduction	-6%

Source: Fiscal Consultant's Report, Appendix A.

See "BONDOWNERS' RISKS – Reduction to Assessed Values," herein. For specific information regarding pending and settled appeals in the City Heights Redevelopment Project, see "BONDOWNERS' RISKS – Reduction to Assessed Values," and "APPENDIX A – Fiscal Consultant Report Section II. D. PROJECT TAXABLE VALUE – Assessment Appeals."

Historic Collections in Redevelopment Project

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

TABLE 5
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.

Tax Rates

The fiscal year 2009-2010 tax rate within the City Heights Redevelopment Project 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%.

Cooperation Agreements

In addition to the resolutions authorized under former Health and Safety Code Section 33676, described above, a redevelopment agency may enter into pass-through tax-sharing agreements (also known as Cooperation Agreements) authorized under Section 33401 of the Law with taxing agencies, whereby such taxing agencies become entitled to receive a portion of Tax Revenues generated by the City Heights Redevelopment Project. The Agency has entered into such Cooperation Agreements with the County, the San Diego Unified School District, the San Diego Community College District and the San Diego County Office of Education (the "Taxing Entities") for the City Heights Redevelopment Project. All of the Cooperation Agreements specify that payments thereunder are subordinate to the payment of debt service on any bonds the Agency issues, however, the Agency is obligated to size its bond issuance to take into account the payment of amounts under the

Cooperation Agreements. The Agency believes it has met that obligation. For purposes of this issuance, the Taxing Entities have agreed that any revenues attributed to the City's suspension of its Section 33676 Resolution will not be included in "property tax revenues" under their respective Cooperation Agreements with the Agency for certain purposes. See "THE CITY HEIGHTS REDEVELOPMENT PROJECT – Projection of Tax Revenues and Estimated Coverage" herein.

Projection of Tax Revenues and Estimated Coverage

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, 2009-10 is reduced to reflect actual and expected successful appeals in the 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. Fiscal Consultant assumes an in lieu payment beginning fiscal year 2009-10 for APN 471-552-34.

5. 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.

6. Adjustments to gross revenues include County Administrative Charges and estimated levy shortfall from Fiscal Years 2009-2010 through 2012-2013.

TABLE 6
CITY HEIGHTS REDEVELOPMENT PROJECT
Projection of Tax Revenues

Fiscal Year Ending	Total Value	Incremental Value Over Base Year	Unitary Revenue	Second Implementation Agreement In-Lieu Payment	Adjustments to Gross Revenue	Section 33676 Resolutions	Low/Moderate Income Housing Set-Aside Revenue	Tax Revenues	1999 Bonds Debt Schedule	2010 Bonds Debt Schedule	Coverage
2009-10	$2,099,719,471	$1,093,833,866	$31,630	$ 0	($441,603)	($18,104)	($2,126,019)	$8,485,970	$1,254,815		
2010-11	1,925,861,900	919,976,295	31,630	218,709	(367,991)	(19,313)	(1,816,422)	7,246,376	1,395,233		
2011-12	1,868,529,550	862,643,945	31,630	212,147	(343,057)	(20,547)	(1,705,032)	6,799,581	1,530,944		
2012-13	1,867,684,925	861,799,320	31,630	212,147	(344,481)	(21,805)	(1,703,410)	6,791,837	1,647,610		
2013-14	1,886,213,938	880,328,333	31,630	214,269	(88,033)	(23,088)	(1,792,230)	7,145,832	1,773,306		
2014-15	1,904,928,242	899,042,637	31,630	216,412	(89,904)	(24,397)	(1,829,713)	7,294,455	1,919,940		
2015-16	1,923,829,689	917,944,084	31,630	218,576	(91,794)	(25,732)	(1,867,571)	7,444,551	1,933,728		
2016-17	1,942,920,150	937,034,545	31,630	220,762	(93,703)	(27,093)	(1,905,807)	7,596,134	2,031,653		
2017-18	1,962,201,516	956,315,911	31,630	222,969	(95,632)	(28,482)	(1,944,425)	7,749,219	2,134,003		
2018-19	1,981,675,696	975,790,091	31,630	225,199	(97,579)	(29,899)	(1,983,430)	7,903,822	2,230,490		
2019-20	2,021,013,539	1,015,127,934	31,630	229,703	(101,513)	(31,344)	(2,062,220)	8,217,536	2,231,403		
2020-21	2,061,138,138	1,055,252,533	31,630	234,297	(105,525)	(32,818)	(2,142,585)	8,537,524	2,231,453		
2021-22	2,102,065,230	1,096,179,625	31,630	238,983	(109,618)	(34,321)	(2,224,558)	8,863,912	2,330,640		
2022-23	2,143,810,864	1,137,925,259	31,630	243,762	(113,793)	(35,855)	(2,308,171)	9,196,828	2,333,965		
2023-24	2,186,391,410	1,180,505,805	31,630	248,638	(118,051)	(37,419)	(2,393,455)	9,536,402	2,331,140		
2024-25	2,229,823,567	1,223,937,962	31,630	253,610	(122,394)	(39,014)	(2,480,445)	9,882,767	2,332,290		
2025-26	2,274,124,367	1,268,238,762	31,630	258,683	(126,824)	(40,642)	(2,569,175)	10,236,060	2,332,280		
2026-27	2,319,311,183	1,313,425,578	31,630	263,856	(131,343)	(42,302)	(2,659,680)	10,596,418	2,331,110		
2027-28	2,365,401,736	1,359,516,131	31,630	269,133	(135,952)	(43,995)	(2,751,995)	10,963,984	2,333,780		
2028-29	2,412,414,099	1,406,528,494	31,630	274,516	(140,653)	(45,722)	(2,846,156)	11,338,901			
2029-30	2,460,366,710	1,454,481,105	31,630	280,006	(145,448)	(47,483)	(2,942,200)	11,721,317			
2030-31	2,509,278,373	1,503,392,768	31,630	285,607	(150,339)	(49,280)	(3,040,165)	12,111,380			
2031-32	2,559,168,269	1,553,282,664	31,630	291,319	(155,328)	(51,113)	(3,140,090)	12,509,245			
2032-33	2,610,055,964	1,604,170,359	31,630	297,145	(160,417)	(52,982)	(3,242,012)	12,915,068			
2033-34	2,661,961,412	1,656,075,807	31,630	0	(165,608)	(54,889)	(3,285,356)	13,086,536			
2034-35	2,714,904,969	1,709,019,364	31,630	0	(170,902)	(56,833)	(3,390,184)	13,503,904			
2035-36	2,768,907,397	1,763,021,792	31,630	0	(176,302)	(58,817)	(3,497,109)	13,929,620			
2036-37	2,823,989,874	1,818,104,269	31,630	0	(181,810)	(60,841)	(3,606,173)	14,363,850			
2037-38	2,880,174,000	1,874,288,395	31,630	0	(187,429)	(62,905)	(3,717,417)	14,806,764			
2038-39	2,937,481,809	1,931,596,204	31,630	0	(193,160)	(65,010)	(3,830,887)	15,258,537			
2039-40	2,995,935,774	1,990,050,169	31,630	0	(199,005)	(67,157)	(3,946,625)	15,719,345			
2040-41	3,055,558,819	2,049,673,214	31,630	0	(204,967)	(69,347)	(4,064,679)	16,189,369			
2041-42	3,116,374,324	2,110,488,719	31,630	0	(211,049)	(71,581)	(4,185,094)	16,668,794			
2042-43	3,178,406,139	2,172,520,534	31,630	0	(217,252)	(73,860)	(4,307,917)	17,157,807			

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 City Heights Redevelopment Project exceeds the base year assessed valuation for such property, as well as by the current rate at which property in the City Heights Redevelopment Project is taxed. The Agency itself has no taxing power with respect to property, nor does it have the authority to affect the rate at which property is taxed. Assessed valuation of taxable property within the City Heights Redevelopment Project 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 City Heights Redevelopment Project 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 AREA - Appeals in the City Heights Redevelopment Project" herein 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 "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 City Heights Redevelopment Project 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 City Heights Redevelopment Project 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 City Heights Redevelopment Project, 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 City Heights Redevelopment Project.

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 City Heights Redevelopment Project 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 Series 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 — Issuance of Parity Bonds," 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 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. 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.

Low and Moderate Income Housing Fund

The Redevelopment Law requires that, except under certain circumstances, redevelopment agencies set aside 20% of all gross tax increment revenues derived from redevelopment project areas into a low and moderate income housing fund, to be used for the purpose of increasing, improving and/or preserving the community's supply of low and moderate income housing. The provisions of the Redevelopment Law regarding the funding of low and moderate and income housing funds have been frequently amended since their original adoption. In addition, the interpretations of these laws by the California Attorney General and agency counsels throughout the State have at times been subject to variation and change. There can be no assurance as to whether a claim challenging the Agency's practices in this area might be filed. The Agency currently sets aside 20% of all gross tax increment revenues from the City Heights Redevelopment Project into the Low and Moderate Income Housing Fund. The Housing Set-Aside Amounts may not be used to pay the Annual Debt Service on the 2010 Bonds. See "TAX ALLOCATION FINANCING AND LIMITATIONS ON RECEIPT OF TAX INCREMENT — Low and Moderate Income Housing Fund."

Investment Risk

All funds held under the Agreement are required to be invested in Investment Securities as provided under the Agreement. 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 Agreement 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 City Heights Redevelopment Project 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 City Heights Redevelopment Project could be adversely affected by future governmental policies, including policies that restrict or control development. If projected development in the City Heights Redevelopment Project is delayed or halted, the economy of the City Heights Redevelopment Project 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 City Heights Redevelopment Project, the owners of property in the City Heights Redevelopment Project 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 the City Heights Redevelopment Project 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 City Heights Redevelopment Project 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 City Heights Redevelopment Project. The Rose Canyon fault zone extends from La Jolla to San Diego Bay and is considered capable of producing a large, damaging earthquake. Several active strands of the Rose Canyon fault have been discovered in downtown San Diego. An "active" fault is a fault that has moved within the past 10,000 years or so, and is considered capable of renewed movement. The City requires geologic studies to investigate possible faulting prior to issuance of Building Permits. More distant potential sources of damaging earthquakes are located about 10 miles offshore (Coronado Bank fault) and about 25 miles northeast of the City (Elsinore Fault). Historically, coastal San Diego has experienced some earthquake damage as a result of distant earthquakes. The City is assigned to Seismic Zone 4, which is the same seismic zone assigned to Los Angeles and San Francisco. Also, the City is located in an area that can be subject to tsunamis, other natural or man-made disasters or "acts of God" that could cause significant damage to taxable property in the City Heights Redevelopment Project. 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 City Heights Redevelopment Project, 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 City Heights Redevelopment Project. 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 City Heights Redevelopment Project 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.

Federal Tax-Exempt Status of the 2010A Bonds

Tax-Exempt Status of Interest on the 2010A Bonds. The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the 2010A Bond, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of 2010A Bond proceeds, limitations on the investment earnings on 2010A Bonds proceeds prior to expenditure, a requirement that certain investment earnings on the 2010A Bond proceeds be paid periodically to the United States and a requirement that the issuers file an information report with the Internal Revenue Service (the "IRS"). The Agency has covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the 2010A Bonds as taxable, retroactively to the date of issuance of such 2010A Bonds.

Audit. As a part of a larger reorganization of the IRS, the IRS commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations is expected to increase significantly under the TE/GE Division. There is no assurance that an IRS examination of the 2010A Bonds, if one is undertaken, will not adversely affect the tax-exempt status or market value of such 2010A Bonds.

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

2010A Bonds. In the opinion of Best Best & Krieger LLP, bond counsel to the Agency ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the 2010A Bonds is less than the amount to be paid at maturity of such 2010A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2010A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the 2010A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2010A Bonds is the first price at which a substantial amount of such maturity of the 2010A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2010A Bonds accrues daily over the term to maturity of such 2010A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2010A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2010A Bonds. Beneficial owners of the 2010A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2010A Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such 2010A Bonds in the original offering to the public at the first price at which a substantial amount of such 2010A Bonds is sold to the public.

2010A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2010A Bonds. The Agency has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2010A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2010A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2010A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2010A Bonds may adversely affect the value of, or the tax status of interest on, the 2010A Bonds.

Certain requirements and procedures contained or referred to in the Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2010A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Best Best & Krieger LLP.

Although Bond Counsel is of the opinion that interest on the 2010A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2010A Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depend upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the 2010A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the 2010A Bonds. Prospective purchasers of the 2010A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2010A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Agency, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Agency has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2010A Bonds ends with the issuance of the 2010A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Agency or the beneficial owners regarding the tax-exempt status of the 2010A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Agency or its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Agency legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Agency or the beneficial owners to incur significant expense.

2010B Bonds. **This advice was written to support the promotion or marketing of the 2010B 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 2010B 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 2010B Bonds on the initial offering of the 2010B 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 2010B 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 2010B 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 2010B Bonds.**

Interest on the 2010B 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 2010B 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 2010B Bonds. Upon the sale, exchange or other disposition of a 2010B Bond, or upon the retirement of a 2010B 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 2010B Bond. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes.

Defeasance of the 2010B Bonds. If the Agency defeases any 2010B 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 2010B Bond would recognize a gain or loss on the 2010B Bond at the time of defeasance.

Backup Withholding. An Owner of a 2010B 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 2010B Bonds. This withholding generally applies if the Owner of a 2010B 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 2010B 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 2010B 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 2010B Bond.

In the further opinion of Bond Counsel, interest paid with respect to the 2010B 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 E.J. De La Rosa & Co. and Piper Jaffray & Co. (the "Underwriters") 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 the 2010 Bonds from the Agency and concurrently resell to the Underwriters 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 Underwriters.

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 2010 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 Agreement, 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

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%
JIJ 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]

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]	$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 "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 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	11,805,058	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)	(1,762,988)	(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 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 2009-2009 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	58,453,965	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	1,655,075,807	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 "Val File-04 PSVAP70@" 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 471-952-34 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.

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.

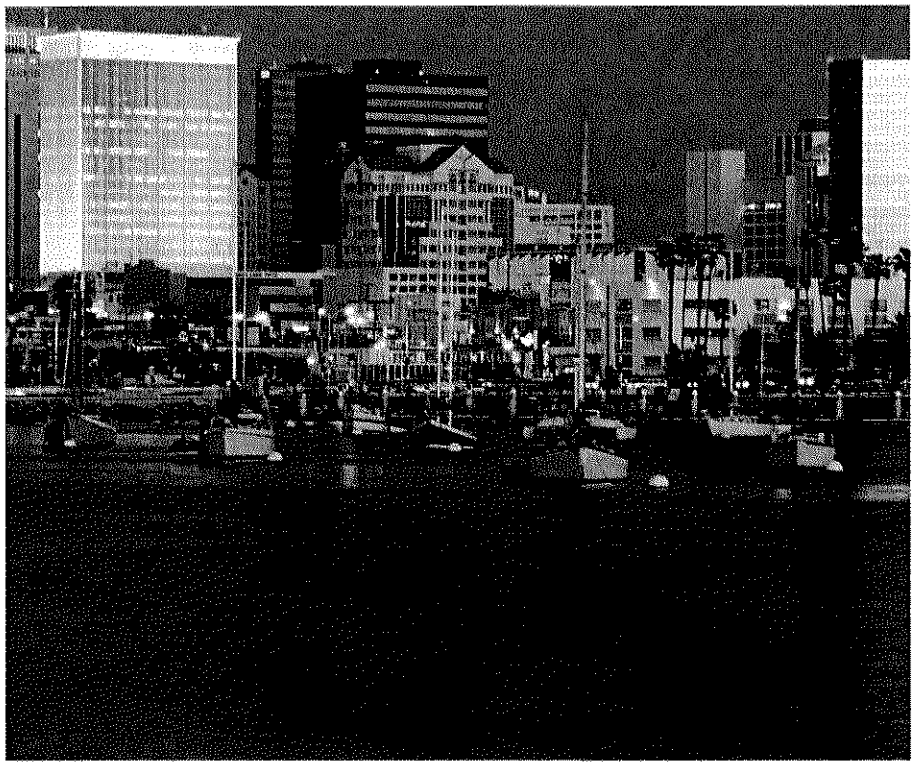
The City of San Diego has a developed network of designated bikeways as described in the City's Bicycle Master Plan. The City's network includes bicycle paths in Mission Valley, Mission Bay Park, and along the beachfronts in Pacific Beach and Mission Beach. Other facilities of significant length can 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

Redevelopment Agency of the City of San Diego

State of California



Annual Financial Report

Fiscal Year Ended June 30, 2009

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Introductory Section

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CITY OF SAN DIEGO
REDEVELOPMENT AGENCY

December 23, 2009

Honorable Members of the Agency:

The Annual Financial Report on all projects of the Redevelopment Agency of the City of San Diego for the year ended June 30, 2009 is presented in accordance with the Community Redevelopment Law (§33,000 et seq., of the Health and Safety Code of the State of California).

All expenditures and revenues for these projects have been reported for in accordance with generally accepted accounting principles in the United States applicable to municipalities, and all financial transactions occurring during the year were made in accordance with the redevelopment laws of the State of California.

Respectfully submitted,

Jerry Sanders
Executive Director

William R. Anderson
Assistant Executive Director

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REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
ROSTER OF OFFICIALS
(As of the issuance of this report)

BOARD OF DIRECTORS

District 1
Board member Sherri Lightner

District 5
Board member Carl DeMaio

District 2
Chair Pro Tem Kevin Faulconer

District 6
Board member Donna Frye

District 3
Board member Todd Gloria

District 7
Board member Marti Emerald

District 4
Board member Tony Young

District 8
Chairperson Ben Hueso

OFFICIALS

Jerry Sanders, Executive Director

Jan Goldsmith, Agency Counsel

William Anderson, Assistant Executive Director

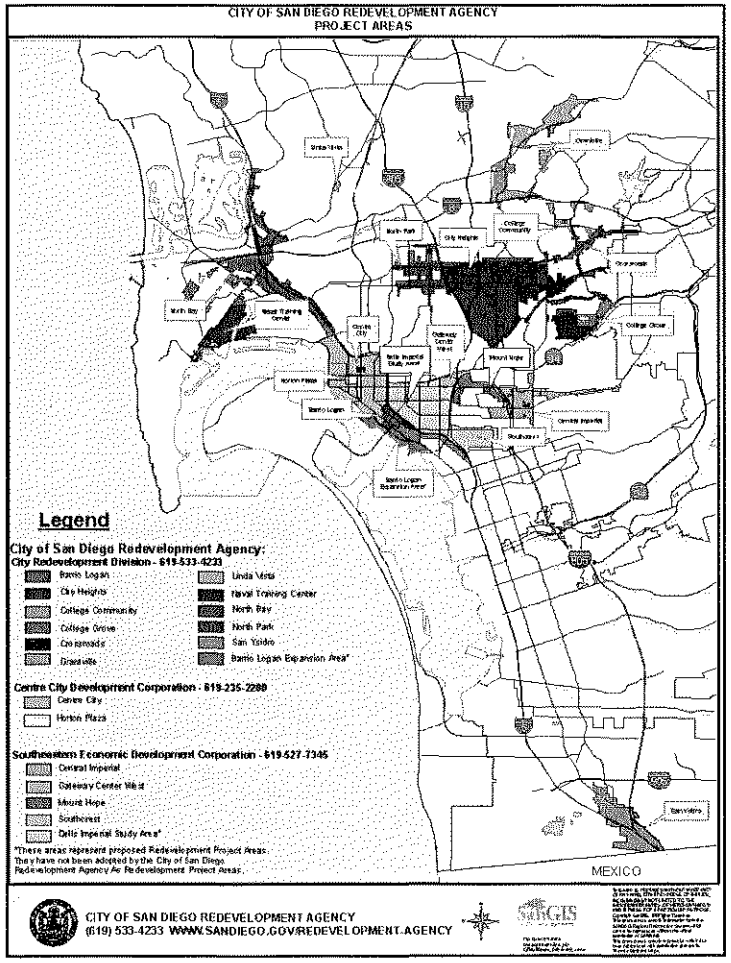
Janice Weinrick, Deputy Executive Director

Gail R. Granewich, Treasurer

Elizabeth Maland, Secretary

OTHER OFFICIALS

Mary Lewis, Chief Financial Officer, City of San Diego



Financial Section

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

402 W. Broadway, Suite 400
San Diego, CA 92101
619.573.1112

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Redevelopment Agency of the
City of San Diego
San Diego, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of San Diego, California (Agency), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 16 through 28 and 70 through 73, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section, nonmajor governmental funds combining statements and the supplemental information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The nonmajor governmental funds combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and supplemental information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

San Diego, California
December 23, 2009

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
(In Thousands)
June 30, 2009

As management of the City of San Diego (the "City"), we offer readers of the Redevelopment Agency (the "Agency") financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities presents information showing changes in the Agency's net assets during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The focus is on both gross and net cost of Agency functions, which are supported by general revenues. This Statement also displays functions of the Agency that are principally supported by taxes, private contributions, and intergovernmental revenues (governmental activities). The governmental activities of the Agency include General Government and Support and Neighborhood Services. The Agency does not engage in business-type activities.

The government-wide financial statements exclusively include the Agency (known as the Primary Government) with no legally separate, discretely presented component units. The government-wide financial statements can be found on pages 32 and 33 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the Agency are combined into the governmental funds category.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Centre City Low and Moderate Income Housing Special Revenue Fund, Centre City Other Special Revenue Fund, Centre City Debt Service Fund and Centre City Capital Projects Fund all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 34-38 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 40 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, budget to actual comparison schedules of the Centre City Low and Moderate Income Special Revenue Housing Fund and the Centre City Other Special Revenue Fund can be found on pages 70-73. Combining fund statements and schedules for nonmajor governmental funds can be found beginning on page 76 of this report.

The "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*" can be found on page 106 of this report.

As part of supplementary information provided in this report, a schedule of changes to principal and interest due to the City for each Project Area can be found on page 116. In addition, assessed valuation information for each project area can be found beginning on page 118 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

SUMMARY OF NET ASSETS

	Governmental Activities		Dollar Increase	Percent Increase
	2009	2008	(Decrease)	(Decrease)
Current and Other Assets	$ 897,899	$ 826,851	$ 71,048	9%
Capital Assets	187,863	177,105	10,758	6%
Total Assets	1,085,762	1,003,956	81,806	8%
Current and Other Liabilities	51,126	49,966	1,160	2%
Net Long-Term Debt	991,839	918,723	73,116	8%
Total Liabilities	1,042,965	968,689	74,276	8%
Net Assets				
Invested in Capital Assets, Net of Related Debt	96,064	83,152	12,912	16%
Restricted	133,478	108,733	24,745	23%
Unrestricted	(186,745)	(156,618)	(30,127)	(19%)
Total Net Assets	$ 42,797	$ 35,267	$ 7,530	21%

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities at June 30, 2009, by $42,797.

Of the Total Net Assets $96,064 represents the Agency's investment in capital assets, less any outstanding debt used to acquire these assets. The Agency uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are generally not used to liquidate these liabilities.

The Agency's Restricted Net Assets of $133,478 represent resources that are subject to external restrictions on how they may be used. Restricted Net Assets increased by $24,745 over the prior year, or about 23% primarily due to a net increase in resources available for Low and Moderate Income Housing.

There are several factors contributing to the Agency's deficit of $186,745 in Unrestricted Net Assets. First, the Agency typically borrows funds from the City when a project area does not generate sufficient tax increment to fund redevelopment activities in the area, mostly during the initial stages of a project area's life. At the point sufficient tax increment revenues are generated, the Agency issues long term debt to carry out redevelopment and housing activities in the project area, pledging future tax increment revenues for the repayment of these long term obligations. Interest expense associated with City Loans and other long term debt is an important factor contributing to the deficit in Unrestricted Net Assets. In addition, the Agency has used long term debt to acquire properties that have been sold to developers or conveyed to the City at a loss, for improvements of public infrastructure, rehabilitation of properties not owned by the Agency and for development of affordable housing.

CHANGES IN NET ASSETS

	Governmental Activities		Dollar Increase	Percent Increase
	2009	2008	(Decrease)	(Decrease)
Revenues:				
Program Revenues				
Operating Grants and Contributions	$ 44	$ 47	$ (3)	(6%)
Capital Grants and Contributions	17,888	15,506	2,382	15%
General Revenues				
Tax Increments	192,562	177,353	15,209	9%
Grants and Contributions Not Restricted to Specific Programs	1,793	4,775	(2,982)	(62%)
Revenue from Use of Money and Property	24,087	32,947	(8,860)	(27%)
Loss on Sale of Capital Assets	-	(11)	11	100%
Loss on Sale of Land Held for Resale	-	(9,319)	9,319	100%
Total Revenues	236,374	221,298	15,076	7%
Expenses:				
General Government and Support	53,838	48,201	5,637	12%
Neighborhood Services	128,383	33,091	95,292	288%
Interest on Long-Term Debt	46,623	43,669	2,954	7%
Total Expenses	228,844	124,961	103,883	83%
Change in Net Assets	7,530	96,337	(88,807)	(92%)
Net Assets, July 1	35,267	(61,070)	96,337	158%
Net Assets, June 30	$ 42,797	$ 35,267	$ 7,530	21%

Governmental Activities

Governmental activities increased the Agency's net assets by $7,530 hereby accounting for all of the increase in net assets during fiscal year 2009. Key elements of this increase are as follows:

- Capital Grants and Contributions increased by $2,382 or about 15%, mostly due to the receipt of $2,901 in federal transportation grant funds from the Federal Highway Administration through the California Department of Transportation and the City for the construction of the Park Boulevard at Harbor Drive Pedestrian Bridge in the Centre City Project Area.

- Tax Increments revenue increased by $15,209 or approximately 9%. This was mostly due to an increase in the assessed valuation of properties in the various project areas. The Centre City Project Area reported the largest year over year dollar increase of $8,395, or approximately 7%, over the prior year. The San Ysidro project area reported the largest percentage increase of 73%, or $2,889 over the prior year. Increases in tax increment revenues are mostly due to supplementary property tax billings issued subsequent to the billings for the initial rolls for the fiscal year. The supplementary billings are typically attributed to new construction activity and the transfer of ownership due to properties being sold and reassessed at the time of sale.

- Grants and Contributions not restricted for specific programs decreased by $2,982, or about 62%, mostly due to onetime revenue received for the sale of downtown condominium units in the prior fiscal year pursuant to a participation agreement with a developer.

- Revenue from the use of Money and Property decreased by $8,860 or about 27% mostly due to a bottoming out of declining interest rates around December 2008 and the decrease in interest income from the reinvestment of the Agency's assets at these record low interest rates.

- Loss on Sale of Land Held for Resale decreased by $9,319 due to a prior year loss on the disposition of a parcel in the Centre City Project Area related to the Renaissance Hotel project. The prior year loss was mostly due to timing differences in revenue and expense recognition as advances from the developer for the purchase of the property were recognized in prior years as the funds were used to acquire the property. There were no land held for resale dispositions in the current fiscal year.

- General Government and Support Expense increased by $5,637 or approximately 12%. This is mostly attributed to an increase in tax sharing payments of approximately $4,027 pursuant to California Law and tax sharing agreements. In addition, program management expenses related to the North Embarcadero Project in the Centre City Project Area increased by approximately $1,533 due to architectural and engineering design services rendered in the current fiscal year.

- Neighborhood Services expense increased by $95,292 or approximately 288%. This is mostly attributed to a settlement agreement with the County of San Diego (the "County"), reached in the current fiscal year, related to a Superior Court Case seeking to invalidate the Redevelopment Plan for the Grantville Project Area. Pursuant to the agreement, the Agency will pay $31,360 to the City to fund a portion of the cost of the construction of the C Street transit improvements in the Centre City Project Area; an additional $31,360 to the County to fund North Embarcadero Project Improvements, as defined in the agreement; and $7,840 for joint projects in the Grantville Project Area to be proposed by the County and approved by the Agency. These obligations totaling $70,560 were recognized in the current fiscal year and recorded as Neighborhood Services expense.

  Additionally, the Agency's contributed $11,315 to the City, pursuant to the ballpark cooperation agreement, for satisfaction of the fiscal year 2009 Ballpark Lease Revenue Bonds, Series 2007A debt service obligation. There was no similar contribution in the prior year. Also, the Agency's contributions to the City for planning activities related to the Barrio Logan, Grantville, North Bay and San Ysidro project areas increased by $4,715 over the prior year.

  Moreover, the reduction in net realizable value of $2,711 related to the Veterans Village property in the North Bay Project Area was reported as Neighborhood Services expense. This property will be sold to Vietnam Veterans of San Diego for a nominal amount pursuant to a Development and Disposition Agreement.

  Finally, the Agency contributed affordable housing funds of approximately $1,911 for loan programs currently administered by the San Diego Housing Commission designed to assist low and moderate income persons and families with property rehabilitation and first time home buyer financing.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

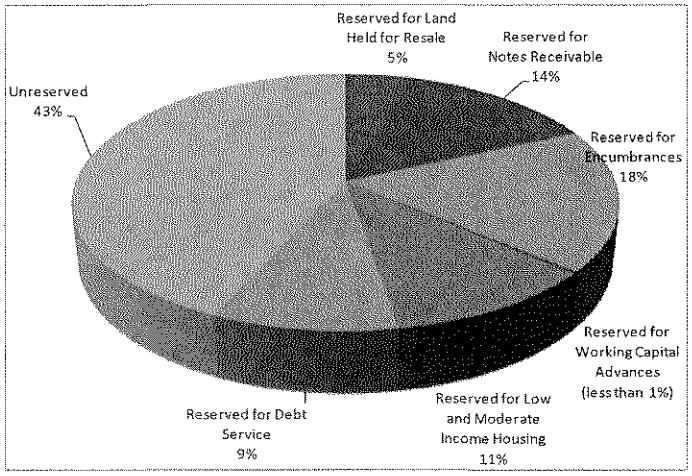
As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

All of the Agency's funds are governmental funds, the focus of which is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2009, the Agency's governmental funds reported combined ending fund balances of $878,515. Of the total, $498,916, or about 57%, is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the period, (2) to pay debt service, (3) to increase low and moderate income housing or (4) for a variety of other restricted purposes. The remaining amount of $379,599, or about 43%, constitutes unreserved fund balance, which is available for spending at the Agency's discretion, including designations for subsequent years' expenditures made through the Agency's budgetary process.

COMPOSITION OF AGENCY FUND BALANCES



The Agency's fund balances increased by $76,601 or about 10% over the prior year. The increase is mostly attributed to current year revenues exceeding expenditures for the fiscal year by $63,920. This is due to the fact that the Agency's projects are multi-year in nature and revenue from the current year will be used for projects that are currently in the initial stages of construction or for future year's projects.

Total expenditures in the current fiscal year remained constant compared to the prior year, decreasing by less than 1%. The Agency's revenue increased by $6,361, or about 3% mostly due to an increase in tax increment revenue of $15,209, or about 9%, which was offset by a decrease in interest revenue of $8,815 mostly due to a bottoming out of declining interest rates around December 2008 and the decrease in interest income from the reinvestment of the Agency's assets at these record low interest rates. The following table shows a breakdown of year over year changes in tax increment revenue for each project area.

CHANGES IN TAX INCREMENT

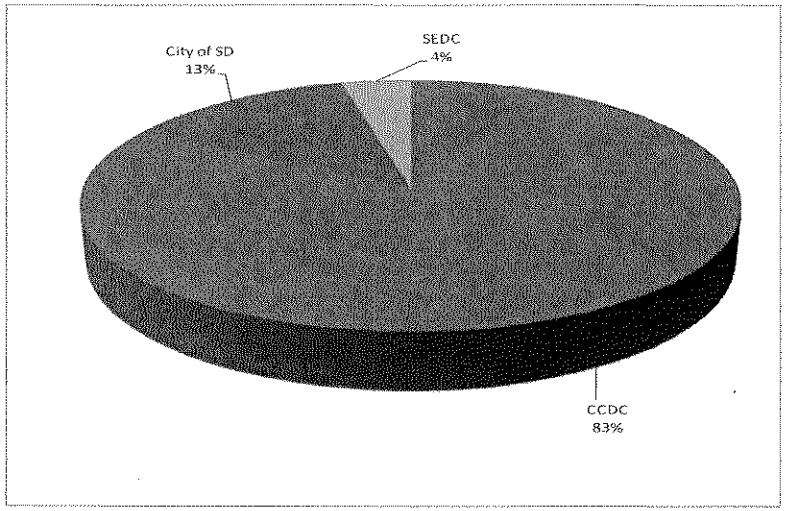
	Tax Increment		Dollar Increase	Percent Increase
	2009	2008	(Decrease)	(Decrease)
Barrio Logan	$ 691	$ 679	$ 12	2%
Central Imperial	2,455	2,249	206	9%
Centre City	125,366	116,971	8,395	7%
City Heights	13,954	14,290	(336)	(2%)
College Community	1,142	1,160	(18)	(2%)
College Grove	818	718	100	14%
Crossroads	4,299	4,274	25	1%
Gateway Center West	346	334	12	4%
Grantville*	2,364	-	2,364	-
Horton Plaza	8,616	8,400	216	3%
Linda Vista	96	94	2	2%
Mount Hope	1,674	1,598	76	5%
Naval Training Center	4,905	4,001	904	23%
North Bay	8,876	8,231	645	8%
North Park	7,729	7,964	(235)	(3%)
San Ysidro	6,825	3,936	2,889	73%
Southcrest	2,406	2,454	(48)	(2%)
	$ 192,562	$ 177,353	$ 15,209	9%

*Tax Increment revenue in the amount of $737 and $447 for fiscal years 2008 and 2007, respectively, were recognized in the current fiscal year after settlement of the of the Grantville Action Validation lawsuit . Tax Increment of $1,180 associated with fiscal year 2009 represents an increase of 60% over the prior year.

Of the total tax increment revenue received by a project area, 80% is allocated for redevelopment activities and 20% for affordable housing projects. The Agency has pledged tax increment revenue to satisfy long-term debt obligations. These payments are made from the 80% and 20% allocations in proportion to the amount of long-term debt proceeds used for either housing or redevelopment activities. In addition, tax increment revenue is distributed to other governmental entities, from the redevelopment activities 80% allocation, based on formulas established by California Redevelopment Law, or by tax sharing agreements. The summary of significant accounting policies in the notes to the basic financial statements Note 1-q, on page 46, includes a description of the Agency's tax sharing obligations.

The Agency's seventeen project areas are managed by the Redevelopment Division of the City of San Diego and by two non-profit independent corporations, the Centre City Development Corporation (CCDC) and the Southeastern Economic Development Corporation (SEDC). The following chart illustrates the percentage of the Agency's fund balances managed by each of the three administrative units.

PERCENTAGE OF AGENCY COMBINED FUND BALANCES BY ADMINISTRATIVE UNIT

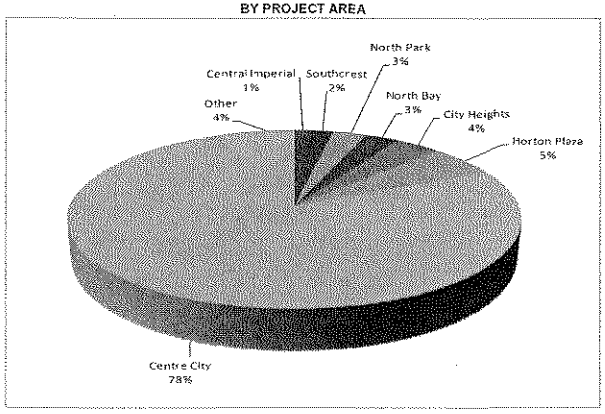


The CCDC administers the two project areas in downtown San Diego, which have the largest share of the Agency's combined fund balances. As of June 30, 2009 project areas administered by the CCDC, accounted for $729,827 or about 83% of the Agency's combined fund balances.

The SEDC administers four project areas in southeastern San Diego, which, as of the end of the fiscal year, accounted for $33,962 or about 4%, of the Agency's combined fund balances.

The Redevelopment Division of the City of San Diego administers eleven project areas throughout the City, which, as of the end of the fiscal year, accounted for $114,726 or about 13%, of the Agency's combined fund balances.

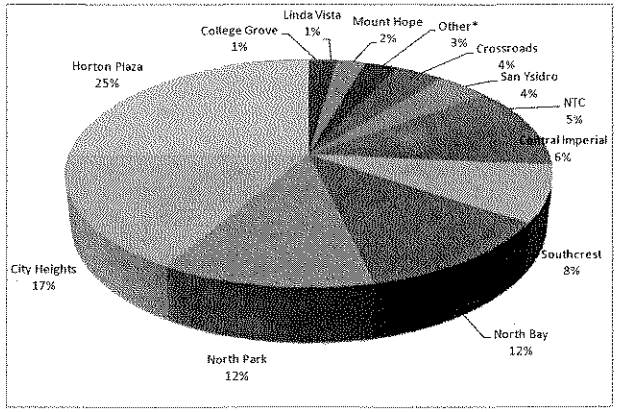
PERCENTAGE OF AGENCY COMBINED FUND BALANCES BY PROJECT AREA



The above chart reflects the composition of the Agency's fund balances by project area. The Centre City project area accounted for 78% of the Agency's combined fund balances. All of the Centre City project area funds are major funds. Major funds are reported as separate columns in the fund financial statements. Combining fund statements and schedules for nonmajor governmental funds can be found beginning on page 76 of this report.

The following chart reflects the composition of the Agency's nonmajor fund balances by project area and excludes all Centre City Project Area funds.

PERCENTAGE OF AGENCY COMBINED NONMAJOR FUND BALANCES BY PROJECT AREA



* Other includes all Barrio Logan, College Community Gateway and Grantville Project Area funds

Major Governmental Funds

Centre City Low and Moderate Income Housing Special Revenue Fund

The Centre City Low and Moderate Income Housing Special Revenue Fund is used to account for costs associated with increasing, improving, or preserving the community's supply of low and moderate income housing in the Centre City Project Area. The primary source of revenue for this fund is the 20% tax increment revenue allocation pursuant to redevelopment law as well as housing bond proceeds. The fund balance at June 30, 2009 was $210,356, which is an increase of $9,835, or about 5% over the prior year. Fund revenues remained fairly constant while expenditures decreased by $4,635, mainly due to a year over year decrease of $5,039 in write downs to the value of land held for resale. Transfers for satisfaction of bond debt service increased by $9,566 mainly due to additional debt service requirements generated by the issuance of the Centre City 2008 bonds in the final month of fiscal year 2008. Approximately 61% or $128,658 of the fund's fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the period or to reflect that funds have been used to purchase land or to make loans and are not readily available for spending. The remaining amount of $81,698 or 39% is reserved for spending on low and moderate income projects.

Centre City Other Special Revenue Fund

The Centre City Other Special Revenue Fund is used to account for transactions that cannot be clearly identified with redevelopment activities, debt service or affordable housing. These transactions include tax sharing payments to other entities in the project area; those related to the Grantville settlement agreement with the City and County; revenue collected from the operation of two parking structures in the project area; and satisfaction of the City's debt service obligations related to the Ballpark Lease Revenue Bonds, Series 2007A. The fund balance at June 30, 2009 was $1,080 which is an increase of $1,020 over the prior year. The increase is mostly attributed to tax increment transfers to fund future payments to the County pursuant to the Grantville settlement agreement. Also reported in the current fiscal year was the Agency's $11,315 contribution to the City, pursuant to the ballpark cooperation agreement, for satisfaction of the fiscal year 2009 Ballpark Lease Revenue Bonds, Series 2007A debt service obligation.

Centre City Debt Service Fund

The Centre City Debt Service Fund is used to record debt-related activity such as debt service payments, investment activity for bond reserves held with fiscal agents, and bond issuance costs associated with the Centre City Project Area. In addition, the Centre City Debt Service Fund accumulates tax increment revenue for repayment of indebtedness related to the project area. At the end of the fiscal year, the Centre City Debt Service Fund reported fund balance of $283,240 of which, $66,815, or about 24%, is reserved for debt service. The fund balance showed an increase of $51,414 over the prior year primarily due to tax increment revenue collected in excess of debt service payments.

Centre City Capital Projects Fund

The Centre City Capital Projects Fund is used to account for expenditures related to redevelopment activities in the Centre City Project Area, with the use of such funding sources as tax increment, bond proceeds, developer contributions and participation revenue from the City. The fund balance at June 30, 2009 amounted to $185,192 which is a decrease of $12,272 or about 6% over the prior year. In the current fiscal year, costs associated with the purchase of land for development of parks totaled $13,651. In addition, costs related to the construction of the Park Boulevard at Harbor Drive Pedestrian Bridge totaled $8,545. These expenditures were offset by revenue of $4,749 associated with reimbursements by the City, from Development Impact Fees, for eligible land costs related to St. Josephs Park and by $2,901 in federal and state transportation grants awarded to the Agency, through the City, for the construction of the Park Boulevard at Harbor Drive Pedestrian Bridge project.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets of governmental funds are capitalized at the government-wide level and not at the fund level. Differences between the fund and government-wide statements reporting for these governmental assets will be explained in both the reconciliation and the accompanying notes to the financial statements.

In the current fiscal year, expenditures related to the development of parks in the Centre City Project Area totaled $13,651, accounting for all the current year additions to the Agency's Capital Assets. Of the total, $8,742 was related to the development of the East Village Green Park site and $4,909 for the development of Saint Joseph's Park. These additions were offset by a decrease of $1,121 in land related to the Skateworld property in the Linda Vista Project Area resulting from the reclassification of land from capital assets to land held for resale. The property was reclassified due to the fact that the Agency intends to sell the property and will no longer continue to lease it.

REDEVELOPMENT AGENCY
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION
(In Thousands)

	2009	2008
Land	$ 123,437	$ 110,907
Structures and Improvements	64,358	66,102
Equipment	68	96
Total	$ 187,863	$ 177,105

Additional information about the Agency's capital assets can be found in the accompanying notes to the financial statements (see Note 4 on page 54).

HIGHLIGHTS OF FISCAL YEAR 2009 REDEVELOPMENT ACTIVITIES
(In Thousands)

Barrio Logan Project Area

- Completed the La Entrada Family Apartments Project, an affordable eighty-five (85) unit multi-family residential development.

Central Imperial Project Area

- Completed construction of a 75,000 square-foot office and community meeting center at the Village Center at Market Creek.
- Completed construction of the Navy Federal Credit Union and the 30,000 square-foot 24-Hour Fitness Center at the Imperial Marketplace.
- Completed design and full funding for 62nd and Imperial trolley and bus shelter improvements, streetlights from 61st to 69th Street on Imperial Avenue, and obtained construction commitment from Engineering and Capital Projects.

Centre City Project Area

- Five (5) new market-rate residential projects were built in the project area that consisted of 1,153 units.
- Built two (2) new affordable housing projects with Agency funds consisting of 411 total units of which 407 are affordable.
- Completed a 1,190 room Hilton Convention Hotel near the Ballpark and Convention Center.

- Acquired two (2) parcels for the East Village Green Park and one parcel for the St. Joseph's Park for a total of an additional .68 acres.
- Completed demolition of three (3) Agency owned properties. The sites were demolished because they were unreinforced masonry buildings and to eliminate loitering around empty buildings.
- Completed construction of the Simon Levi Building sidewalk at Seventh & J Street located in the Ballpark District of East Village.
- Completed seven (7) construction projects; the temporary Winter Shelter infrastructure improvements, the Fifth Avenue and Martin Luther King Promenade lighted crosswalk, the Fifth and Market scramble modification, the Phase II litter receptacle acquisition, the Gaslamp Quarter newspaper corrals, the Historic Fetter House exterior improvements and the Little Italy hanging baskets and planters. The Fetter House received an award for historic preservation from Save Our Heritage Organization and an award for excellence from the Historical Resources Board.

City Heights Project Area

- Worked with Affirmed Housing to disperse the final installment of Agency funds and record the Release of Construction Covenants for the Auburn Park Apartments. The completed project includes a total of sixty-nine (69) units, with sixty-seven (67) units restricted for low- and very-low income residents.

Crossroads Project Area

- Agency entered into an Owner Participation Agreement with Village Green Apartments LLC (i.e., Wakeland Housing) to provide aproximately $5,800 to acquire and rehabilitate a 94-unit apartment complex in order to rent to households at or below 60% of the Area Median Income.

Mount Hope Project Area

- Completed design and full funding for the Mt. Hope Market Street Median and Streetlight Project and obtained construction commitment from Engineering & Capital Projects Department.

North Bay Project Area

- Completed The Veterans Village of San Diego, Phase II onsite improvements. The project consisted of the construction of 112 transitional beds for previously homeless veterans, an employment/medical center, and a recreational area.

North Park Project Area

- Completed construction of twenty-three (23) units of affordable rental housing for extremely low-income tenants (including nine units designated as supportive housing units) at 3137 El Cajon Blvd.
- Completed the purchase of the deteriorating North Park Inn located at 2625 University Avenue renovations to transform the site into seventeen (17) residential apartments for graduates of the Pathfinders "Shelter Plus Care" recovery program for homeless men.

San Ysidro Project Area

- The Agency completed construction of the Camino de la Plaza improvement project. The project provided 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 approved the First Implementation Agreement with SYEP Associates L.P. for the El Pedregal Project, a forty-five (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 30% to 60% of the area median income.

- The Agency approved the Second Implementation Agreement with the Chelsea Investment Corporation for the development of the Verbena Project, eighty (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 the area median income.

Long-Term Debt

At June 30, 2009, the Agency long-term debt totaled $930,704. Of this amount, $27,430 is secured by specified revenue sources (revenue bonds) and $534,537 is comprised of tax allocation bonds secured by tax increment revenue. The remainder of the Agency's debt represents contracts payable, notes payable, loans payable and accrued interest in loans and notes from the City.

REDEVELOPMENT AGENCY
OUTSTANDING DEBT
(In Thousands)

	2009	2008
Revenue Bonds	$ 27,430	$ 28,390
Tax Allocation Bonds	534,547	548,643
Contracts Payable	4,715	2,615
Notes Payable	13,086	13,962
Pooled Financing Authority Loans Payable	33,460	34,115
Loans Payable	161,220	151,859
Accrued Interest Payable	156,246	145,294
Total	$ 930,704	$ 924,878

The Agency drew $6,931 and $2,000 in loan proceeds from the San Diego National Bank lines of credit for the Naval Training Center and North Park project areas respectively. In addition, the Agency received $1,250 in loan proceeds from the California Housing Financing Agency for development of affordable housing in the North Bay project area. Also, a $400 City Loan repayment from Southcrest was re-loaned to the Gateway Center West project. Information on loans payable to the City, by project area, can be found on page 116 of this report. Moreover, the Agency recognized the affordable housing component of the obligation to Western Pacific Housing, pursuant to a disposition and development agreement, increasing Contracts Payable by $2,100.

Total principal payments for long-term debt were $17,531. Of this amount, $15,056 was for outstanding bonds, $876 for notes payable and $1,599 for loans payable. Additionally, there was a loan reduction of $276 pursuant to an implementation agreement with a developer.

Additional information about the Agency's long-term debt can be found in the accompanying notes to the financial statements (see Note 5 on page 55).

REQUESTS FOR INFORMATION

This financial report was designed to provide a general overview of the Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Comptroller, 202 C Street, San Diego, CA 92101 or e-mailed to the City Comptroller at comptroller@sandiego.gov. This financial report is also available on the City's website at www.sandiego.gov, under the Office of the City Comptroller department.

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Basic Financial Statements

STATEMENT OF NET ASSETS
June 30, 2009
(In Thousands)

	Governmental Activities
ASSETS	
Cash or Equity in Pooled Cash and Investments	$ 539,984
Cash and Investments With Fiscal Agent	82,762
Investments at Fair Value	97,222
Receivables:	
Taxes - Net	3,844
Notes and Contracts	118,907
Accrued Interest	1,811
Working Capital Advances:	
Centre City Development Corporation	1,480
Southeastern Economic Development Corporation	295
City of San Diego	623
Land Held for Resale	41,186
Prepaid Items and Deposits	76
Deferred Charges	9,709
Capital Assets - Non-Depreciable	123,437
Capital Assets - Depreciable	64,426
TOTAL ASSETS	1,085,762
LIABILITIES	
Accounts Payable	3,958
Unearned Revenue	5
Interest Accrued on Long-Term Debt	12,161
Sundry Trust Liabilities	5,712
Long-Term Liabilities Due Within One Year	29,290
Long-Term Liabilities Due After One Year:	
Liability Claims	70,560
Contracts Payable	4,715
Developer Notes Payable	4,786
City Note Payable	8,300
City Loans Payable	118,467
Other Loans Payable	34,192
Net Pooled Financing Authority Loans	33,141
Net Bonds Payable	546,758
Accrued Interest Payable on Bonds	14,682
Accrued Interest Payable on City Notes	6,115
Accrued Interest Payable on City Loans	150,131
TOTAL LIABILITIES	1,042,965
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	96,064
Restricted for:	
Low and Moderate Housing	133,478
Unrestricted	(186,745)
TOTAL NET ASSETS	$ 42,797

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009
(In Thousands)

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenues (Expenses) and Changes in Net Assets: Total Governmental Activities
Primary Government:				
Governmental Activities:				
General Government and Support	$ 53,838	$ -	$ -	$ (53,838)
Neighborhood Services	128,383	44	17,888	(110,451)
Interest on Long-Term Debt	46,623	-	-	(46,623)
TOTAL GOVERNMENTAL ACTIVITIES	$ 228,844	$ 44	$ 17,888	(210,912)
General Revenues:				
Tax Increments				192,562
Grants and Contributions Not Restricted to Specific Program				1,793
Revenue from Use of Money and Property				24,087
TOTAL GENERAL REVENUES				218,442
CHANGE IN NET ASSETS				7,530
Net Assets at Beginning of Year				35,267
NET ASSETS AT END OF YEAR				$ 42,797

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009
(In Thousands)

	Centre City: Special Revenue: Low-Mod	Centre City: Special Revenue: Other
ASSETS		
Cash or Equity in Pooled Cash and Investments	$ 117,664	$ 2,141
Cash and Investments with Fiscal Agent	-	-
Investments at Fair Value	-	-
Receivables:		
Taxes	518	-
Notes and Contracts	81,143	-
Interest	409	8
Working Capital Advances:		
Centre City Development Corporation	-	-
Southeastern Economic Development Corporation	-	-
City of San Diego	-	-
Land Held for Resale	10,736	-
Prepaid Items and Deposits	3	-
TOTAL ASSETS	$ 210,471	$ 2,149
LIABILITIES		
Accounts Payable	$ 71	$ -
Deferred Revenue	2	-
Sundry Trust Liabilities	42	1,069
TOTAL LIABILITIES	115	1,069
FUND BALANCES		
Reserved for Land Held for Resale	10,736	-
Reserved for Notes Receivable	81,143	-
Reserved for Encumbrances	36,777	7,473
Reserved for Working Capital Advances	-	-
Reserved for Low and Moderate Income Housing	81,586	-
Reserved for Debt Service	-	-
Unreserved:		
Reported in Special Revenue Funds:		
Designated for Unrealized Gain	-	-
Designated for Subsequent Years' Expenditures	-	-
Undesignated	-	(6,393)
Reported in Debt Service Funds:		
Designated for Debt Service	-	-
Designated for Subsequent Years' Expenditures	-	-
Reported in Capital Projects Funds:		
Designated for Unrealized Gain	-	-
Designated for Subsequent Years' Expenditures	-	-
Undesignated	-	-
TOTAL FUND BALANCES	210,356	1,080
TOTAL LIABILITIES AND FUND BALANCES	$ 210,471	$ 2,149

The accompanying notes are an integral part of the financial statements.

Centre City			
Debt Service	Capital Project	Other Governmental Funds	Total Governmental Funds
$ 213,615	$ 77,887	$ 128,577	$ 539,984
66,815	-	15,947	82,762
-	90,130	7,092	97,222
2,073	-	1,253	3,644
-	1,305	36,459	116,907
737	187	484	1,811
-	1,205	275	1,480
-	-	295	295
-	-	623	623
-	20,430	10,018	41,186
-	2	71	75
$ 283,240	$ 191,256	$ 201,074	$ 888,190
$ -	$ 1,883	$ 2,004	$ 3,958
-	3	-	5
-	4,178	423	5,712
-	6,064	2,427	9,675
-	20,430	10,018	41,186
-	1,305	36,459	116,907
-	54,960	48,785	157,896
-	1,205	1,193	2,398
-	-	13,969	95,087
66,815	-	15,947	82,762
-	-	59	59
-	-	8,808	8,808
-	-	(5,032)	(11,425)
216,425	-	60,720	277,145
-	-	1	1
-	-	184	184
-	97,282	16,802	114,194
-	-	(9,367)	(9,367)
283,240	185,182	198,647	878,515
$ 283,240	$ 191,256	$ 201,074	

Amounts reported for governmental activities in the Statement of Net Assets are different because	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds	187,863
Deferred charges reported in governmental activities are not financial resources and therefore are either deferred or not reported in the funds.	9,709
Some liabilities are not due and payable in the current period and therefore are not reported in the funds	(1,033,280)
Net Assets of Governmental Activities	$ 42,797

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009
(In Thousands)

	Centre City	
	Special Revenue	
	Low-Mod	Other
REVENUES		
Tax Increments	$ 26,073	$ -
Investment Income	4,362	1
Rents	276	-
Private Sources	-	-
City Participation	-	2,343
Other Revenue	1,191	-
TOTAL REVENUES	30,904	2,344
EXPENDITURES		
Administration	1,113	30
Legal	186	-
Plans and Surveys	174	-
Acquisition Expense	-	-
Real Estate/Fixture Purchases	-	-
Property Management	57	-
Relocation	28	-
Rehabilitation	20	-
Site Clearance	34	-
Project Improvements	3,908	47
Promotions and Marketing	-	-
Program Management	132	-
Rehabilitation Loans	-	-
Housing Subsidies	-	-
Tax Sharing Payments	-	16,276
City Projects	-	11,315
Other	-	-
Debt Service:		
Principal	-	-
Interest	-	-
Bond Issuance Costs	24	-
TOTAL EXPENDITURES	5,676	27,668
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,228	(25,324)
OTHER FINANCING SOURCES (USES)		
Transfers from Other Funds	-	28,688
Transfers to Other Funds	(15,393)	(2,344)
Proceeds from Private Loans, Notes and Contracts	-	-
Loans from the City of San Diego	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(15,393)	26,344
NET CHANGE IN FUND BALANCES	9,835	1,020
FUND BALANCES AT JUNE 30, 2008	200,521	60
FUND BALANCES AT JUNE 30, 2009	$ 210,356	$ 1,080

The accompanying notes are an integral part of the financial statements.

Centre City			
Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
$ 100,293	$ -	$ 67,196	$ 192,562
7,724	4,745	4,878	21,710
-	1,796	303	2,377
15	6,904	2,250	9,169
-	9,171	163	11,677
-	14	2,116	3,321
108,032	22,630	76,906	240,816
885	8,485	6,818	17,331
-	1,090	1,424	2,700
-	3,984	1,942	6,100
-	100	86	186
-	11,455	294	11,749
-	459	588	1,104
-	2,095	152	2,246
-	284	2,147	2,451
-	67	-	101
-	11,572	12,109	27,636
-	58	-	58
-	4,118	406	4,656
-	-	250	250
-	-	2,008	2,008
-	-	11,483	27,759
-	693	8,289	20,297
-	-	17	17
12,055	-	5,476	17,531
23,200	-	9,484	32,684
-	-	-	24
36,140	44,429	62,983	176,856
71,892	(21,799)	13,923	63,920
17,781	9,571	26,237	64,277
(38,259)	(44)	(26,237)	(64,277)
-	-	12,281	12,281
-	-	400	400
(20,478)	9,527	12,681	12,681
51,414	(12,272)	26,604	76,601
231,826	197,464	172,043	801,914
$ 283,240	$ 185,192	$ 198,647	$ 878,515

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009
(In Thousands)

Net change in fund balances - total governmental funds (page 37)	$ 76,601
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	10,758
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are differed and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,305
Some expenses reported in the Statement of Activities do not require the use of current financial resources (i.e. interest on long-term debt, amortization of bond premiums and discounts), and therefore are not accrued as expenses in governmental funds.	(83,134)
Change in net assets of governmental activities (page 33)	$ 7,530

The accompanying notes are an integral part of the financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (in Thousands)

The financial statements of the Redevelopment Agency of the City of San Diego ("Agency") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applicable to government units. The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements. The significant accounting principles and policies utilized by the Agency are described below.

a. Scope of Financial Reporting Entity

The Agency was established by the City of San Diego Council in 1958 for the purpose of providing a method to revitalize deteriorated and blighted areas within designated areas of the City of San Diego. The Agency began functioning in 1969 pursuant to the Community Redevelopment Law of California as codified in the State of California Health and Safety Code.

Under GASB Statement No. 14, the Agency is considered a component unit of the City. The Agency's basic financial statements, which are presented as a blended component unit in the basic financial statements of the City, present an aggregation of funds associated with 17 redevelopment project areas. The redevelopment project areas are overseen by the City's Redevelopment Division, and two corporations, the Centre City Development Corporation ("CCDC") and the Southeastern Economic Development Corporation, Inc. ("SEDC").

CCDC and SEDC are non-profit corporations organized by the City to administer certain redevelopment projects (CCDC in downtown San Diego and SEDC in southeastern San Diego) as well as to provide redevelopment advisory services to the Agency. These activities are carried out pursuant to operating agreements with both the City and the Agency under which the City and the Agency agree to reimburse CCDC and SEDC for all eligible costs (as defined) incurred in connection with such activities. Neither the financial position nor the transactions of CCDC and SEDC are included as part of the financial statements. However, reimbursements to CCDC and SEDC for services provided to the Agency result in administrative charges that are included in the financial statements as Agency costs.

The City Council, acting in accordance with the City Charter, the City's Municipal Code and applicable state laws, appoints the members of the Board of Directors of CCDC and SEDC and acts as the Agency's Board of Directors.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all activities of the Agency. The effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

All funds presented in the fund financial statements are governmental funds. Major governmental funds are reported as separate columns in the fund financial statements.

The Agency reports the following major funds:

Centre City Low and Moderate Income Housing Fund – The Centre City Low and Moderate Income Housing Fund is a Special Revenue Fund used to account for 20 percent of the tax increment revenue generated from the Centre City Redevelopment Project Area and the costs associated with the Agency's effort to increase and improve the community's supply of affordable housing for persons and families of low and moderate income in this area.

Centre City Other Special Revenue Fund – The Centre City Other Special Revenue Fund is used to account for transactions that cannot be clearly identified with redevelopment activities, debt service or affordable housing. These transactions include those related to the Grantville settlement agreement with the City and County; revenue collected from the operation of two parking structures in the project area; satisfaction of the City's debt service obligations related to the Ballpark Lease Revenue Bonds, Series 2007A; and tax sharing payments to other entities in the project area.

Centre City Debt Service Fund – The Centre City Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of the Centre City Redevelopment Project Area.

Centre City Capital Projects Fund – The Centre City Capital Projects Fund is used to account for the receipt of bond proceeds, costs associated with the acquisition of land held for resale, construction of major capital facilities, development and improvement of infrastructure and other public improvements in the Centre City Redevelopment Project Area.

Additionally, the Agency reports the following other governmental fund types:

Special Revenue Funds – Special revenue funds are used to account for proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, governmental activities long-term debt principal, interest, and related costs.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

All nonmajor governmental funds are accounted for and reported similarly to major governmental funds.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Amounts reported as program revenues include (1) operating grants and contributions and (2) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures are recognized when the related fund liability is incurred except for principal and interest of general long-term debt which are recognized when due.

Revenues which are considered susceptible to accrual include tax increments, rents, interest and grants, provided they are received within 60 days from the end of the fiscal year. Revenue from private sources, city participation, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

d. Tax Increment Revenues

Tax Increment Revenues represent taxes collected in the Agency's redevelopment project areas from the excess of taxes levied and collected over that amount which was levied and collected in the base year (the inception year of redevelopment project areas) property tax assessment along with a provision for inflation.

The County of San Diego (the "County") assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities, including the Redevelopment Agency of the City of San Diego. The Agency's collections of current year's taxes are received through periodic apportionments from the County.

Property owners of the City can appeal the assessment of their property to the County Assessment Appeals Board. Property's taxable values may be reduced as a result of a successful appeal of the taxable value of property determined by the County Assessor. An appeal may result in a reduction of the County Assessor's original taxable value and tax refund to the applicant property owner. The reduction in future Project Areas taxable values and the refund of taxes affects all taxing entities, including the Agency.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1, are levied the following July 1, are then payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year ended 1979 general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values of properties (exclusive of increases related to sales and new construction) can rise a maximum of 2% per year. The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

At the government-wide level, Tax Increment Revenues are recognized in the fiscal year for which the taxes have been levied. For the governmental funds, Tax Increment Revenues are recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 60 days of year end. Tax Increment Revenues received after this date are not considered available as a resource that can be used to finance the current year operations of the Agency and, therefore, are recorded as deferred revenue in the governmental funds. The Agency provides an allowance for uncollected property taxes of 3% of the outstanding balance which reflects historical collections.

e. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the budgeted governmental funds.

Encumbrances outstanding at year-end are reported as reservation of fund balances since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

f. Equity in Pooled Cash and Investments

The Agency's Pooled Cash and Investments are part of the City's Pooled Cash and Investments. The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer (the City Pool). The City Pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it a 2a7-like pool. The investment activities of the Treasurer in managing the Pool are governed by California Government Code § 53601 and the City's Investment Policy which is reviewed by the Investment Advisory Committee and approved annually by the City Council. Interest earned on pooled investments is allocated to participating funds and entities based upon their average daily cash balance during the allocation month. Fair value adjustments to the Pool are recorded annually; City Treasurer reports fair values on a monthly basis. The value of the shares in the Pool is equal to the fair value of the Pool.

Additionally, the Agency maintains individual accounts pursuant to bond issuances. The investment of these funds is governed by the policies set forth in individual indenture and trustee agreements.

All City investments are reported at fair value in accordance with the GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Deposit and investment risks are disclosed in Note 3 of the notes to the financial statements in accordance with GASB 40, *Deposit and Investment Risk Disclosures*. GASB 40 was implemented to communicate deposit and investment risks to financial statement users. Common risk disclosures include interest rate risk, credit risk, concentration of credit risk, and foreign currency risk. Note 3 also contains additional information on permissible investments per the City's Investment Policy and other policies applicable to the cash and investments reported herein.

g. Land Held for Resale

Land Held for Resale, purchased by the Agency, is reported in the government-wide and fund financial statements at the lower of cost or net realizable value. In the governmental fund financial statements, fund balances are reserved in an amount equal to the carrying value of land held for resale because such assets are not available to finance the Agency's current operations.

Land is originally recorded at historical cost and adjusted to net realizable value when the Agency enters into disposition and development agreements whereby the property will be sold for less than its historical cost, when a property is impaired or when property values decrease due to market conditions.

h. Capital Assets

Non-depreciable capital assets, which include land and construction in progress, are reported in the government-wide financial statements. Depreciable capital assets, which include structures, improvements and equipment, are reported in the government-wide financial statements net of accumulated depreciation. To meet the criteria for capitalization, the asset must have a useful life in excess of one year and in the case of capital outlay, must equal or exceed a capitalization threshold of $5. All other capital assets such as land and structures are capitalized regardless of cost. Subsequent improvements are capitalized to the extent that they extend the initial estimated useful life of the capitalized asset or improve the efficiency or capacity of that asset. Costs for routine maintenance are expensed as incurred. Costs related to development of City infrastructure are not capitalized because these assets are maintained by the City and not the Agency. In cases where the Agency purchases land or structures for development of City infrastructure, acquisition and improvement costs are capitalized and reported as Agency capital assets until they are conveyed to the City, once the project is completed. Losses on the retirement of assets conveyed to the City are reflected in the Statement of Activities.

Capital assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair value on the date of donation. Depreciation of capital assets is computed using the straight-line method over the estimated useful life of the asset as follows:

Assets	Years
Structures and Improvements	20-50
Equipment	3-25

i. Deferred Charges

In the government-wide financial statements, deferred charges represent the unamortized portion of bond issuance costs. These costs will be amortized over the life of the related bonds using a method which approximates the effective yield method.

j. Interfund Transactions

Interfund transactions between the Agency's governmental funds are mostly transfers of assets (such as cash or goods) without equivalent flows of assets in return.

Tax increment revenue not intended for low and moderate income housing or for tax sharing payments is originally deposited in Debt Service Funds. As expenditures are incurred in the Capital Projects Funds, cash is transferred from the Debt Service Funds to cover the expenditures.

Housing Bond Proceeds are recorded in the Low and Moderate Income Housing Funds while Redevelopment Bond Proceeds are recorded in the Capital Projects Funds. These proceeds are typically expended in the funds where they are recorded. However, they are sometimes transferred to the Debt Service Funds to satisfy a debt obligation to the City or a Developer.

k. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, bond issuance costs and bond refunding gains and losses are amortized over the life of the bonds, using a method that approximates the effective yield method. Net bonds payable reflect amortized bond accretion and unamortized bond discounts, premiums and refunding gains and losses.

l. Sundry Trust Liabilities

Under approval of certain agreements, developers submit to the Agency an initial deposit to ensure the developer proceeds diligently and in good faith to negotiate and perform all of the obligations under the agreement. These deposits can normally be used for administrative costs of the Agency. In the government-wide financial statements and in the fund financial statements, the unspent portion of these deposits, called Sundry Trust Liabilities, are reported as liabilities of the Agency.

m. Claims and Judgments

The costs of claims and judgments are accrued when incurred and measurable in the government-wide financial statements. In governmental funds, the costs of claims and judgments are recorded as expenditures when payments are made.

n. Net Assets and Fund Equity

In the government-wide financial statements, net assets are categorized as follows:

- Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets.
- Restricted Net Assets consist of assets, net of any related liabilities, which have had restrictions imposed on them by external creditors, grantors, contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first and then unrestricted resources, as they are needed.
- Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted Net Assets.

In the fund financial statements, portions of fund equity of governmental funds have been reserved for specific purposes. Reservations were created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

Designated fund balance represents that portion of fund equity for which the Agency has made tentative plans.

Undesignated fund balance represents that portion of fund equity which is available for appropriation in future periods.

o. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of certain assets and liabilities, disclosure of contingent assets and liabilities, and the related reported amounts of revenues and expenses. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

p. Agreements

On March 30, 2004 the Agency entered into a Development and Disposition Agreement (DDA) with Western Pacific Housing for a condominium development project in the North Park Redevelopment Project Area. Under the agreement, the Agency promised to pay the maximum aggregate principal amount of $3,000 of which $2,100 represents the Affordability Component of the Agency Payment Obligation, and $900 represents the Public Improvement Component. The Affordability Component is subject to an adjustment based on the actual project sales revenue proceeds received by Western Pacific Housing. This adjustment amount cannot be computed until all 45 affordable units are sold. The principal amount outstanding bears simple interest at a rate equal to 5% per annum. Solely for the purposes of calculating the amount of interest payable, Western Pacific Housing shall be deemed to have paid an amount equal to 25% of the Agency's Payment Obligation as of the date which is 195 days after closing of escrow, 50% as of the date which is 390 days after closing of escrow, 75% as of the date which is 585 days after closing of escrow, and 100% at the completion date, which is the date on which the release of construction covenants under the agreement have been recorded in the official records of the San Diego County. For purposes of calculating the amount of interest payable, the principal amounts stated above will be reduced by a 10% per annum applied on a pro rata basis for the period of time Western Pacific Housing is not in compliance with the schedule of performance dates stated in the agreement for commencement and completion of construction. All payments shall be made from the site-generated property tax increment. To date, the $900 representing the Public Improvement Component of the Agency Payment Obligation has been recognized as a liability. The $2,100 representing the Affordability Component of the Agency Payment Obligation has also been

recognized but is subject to adjustments upon final sales of all 45 affordable units and computation of any necessary adjustments pursuant to the DDA.

The Redevelopment Agency has entered into various agreements with the San Diego Housing Commission (SDHC) for the administration of programs that benefit, very low, low and moderate-income persons and families in various redevelopment project areas.

- The *Housing Enhancement Loan Program* finances up to $25 for property rehabilitation and enhancement and an additional $5 (subject to an annual simple interest rate of 3%) for water conserving landscape improvements and/or energy conserving improvements to eligible homeowners. The total amount of the loan and accrued interest is forgiven in 20% increments and forgiven over a ten year period upon participant's compliance with the terms and conditions of the loan agreement.
- The *Housing Rehabilitation Loan Program* finances interior and exterior improvements and health and safety hazards have a ten year deed restriction, while the exterior enhancement loans have a five year deed restriction. These loans require that the owner maintain residence in the property for at least the agreed number of years, or restricts sale of property. Loans are forgivable after the agreed term.
- The *Downtown First Time Home Buyer* program provides 30-year, zero-interest second trust deed loans of up to $75 to eligible low and moderate income persons and families for purchase of eligible units within the Project Areas. Level monthly principal payments commence in year six. All loan proceeds, including the Agency's share of appreciation, must be deposited in the Low and Moderate Income Housing Set-Aside fund and SDHC is to use these funds for new loans.

Agency contributions to these programs are expensed at the government-wide and fund financial statements at the time the cash is transferred to the SDHC. Revenue generated by the programs are not recognized by the Agency due to the fact that they are intended to be used to finance additional loans within the programs and are not available to fund other activities. Should the Agency decide to terminate these agreements, revenue would be recognized at the time cash balances in the various programs are returned to the Agency.

q. Tax Increment Sharing Payments

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

Section 33607.5 of the Redevelopment Law repealed the provisions that enabled pass-through agreements, although existing pass-through agreements remain in place. Section 33607.5 replaces the payments from new pass-through agreements with a statutory tax increment sharing formula for all redevelopment project areas established on or after January 1, 1994 and requires statutory pass-through payments ("Statutory Pass-through Payments") to all existing taxing entities.

Section 33607.7 was subsequently added to the Redevelopment Law to provide for Statutory Pass-through Payments to affected taxing entities that do not have existing tax sharing agreements. If a redevelopment plan adopted prior to January 1, 1994 is amended to eliminate its time limit on the establishing of loans, advances and indebtedness, the amounts of Statutory Pass-through Payments under section 33607.5 are computed as follows:

- From the first fiscal year in which the Agency receives tax increment until the last fiscal year in which the Agency receives the tax increment, 25% of the tax increments are passed through to the entities (net of the 20% housing set aside).

- Commencing in the eleventh year, an additional 21% of the tax increment in excess of the tenth year tax increment is passed through to the entities (net of the 20% housing set aside).

- Commencing in the thirty first year, an additional 14% of the tax increment in excess of the thirtieth year tax increment is passed through to the entities (net of the 20% housing set aside).

The Agency records liabilities and expenditures related to tax sharing payments based on the criteria established by GASB 33. The Agency defines the applicable period for recognition as the fiscal year in which tax increment sharing payments are appropriated. Instances in which tax sharing payments are not made in the year they are appropriated result in a liability and expenditure to the Agency for that year, regardless of the timing of cash flows.

r. New Governmental Accounting Standards Implemented during Fiscal year ended June 30, 2009

The requirements for the following accounting standards are effective for the purpose of implementation, for the Agency, for fiscal year ended June 30, 2009.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and clean ups. The Statement generally requires the government to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. This would only be required if any one of five obligating events has occurred. If deemed appropriate, the liability will be accrued in the government-wide financial statements and included in Note 11 Contingencies. As of June 30, 2009, the Agency does not have any pollution remediation obligations.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which requires endowments to report their land and other real estate investments at fair value. Governments are also required to report changes in fair value as investment income. As of June 30, 2009 the Agency does not have any endowments.

In March 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of the financial statements. The GAAP hierarchy was previously included in the auditing standards of the American Institute of Certified Public Accountants (AICPA). This Statement improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

In March 2009, GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*. The objective of this Statement is to incorporate in the GASB authoritative literature certain accounting and financial reporting guidance presented in the AICPA Statements on Auditing Standards. The three issues addressed are related party transactions, going concern consideration, and subsequent events. This Statement does not establish new accounting standards but rather incorporates existing guidance into the GASB standards.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (In Thousands)

The Governmental Funds Balance Sheet includes a reconciliation between Total Fund Equity - Governmental Funds and Total Net Assets - Governmental Activities as reported in the Government-wide Statement of Net Assets. Certain adjustments are necessary to reconcile governmental funds to governmental activities. The details of these adjustments are as follows.

a. Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets:

An element of the reconciliation states, "Deferred Charges reported in governmental activities are not financial resources, and therefore, are not reported in the funds." The details of this $9,709 difference are as follows:

Deferred Charges, net July 1, 2008	$ 10,270
Issuance Costs	24
Amortization Expense	(585)
Net adjustment to increase Total Fund Balances – Governmental Funds to arrive at Total Net Assets of Governmental Activities	$ 9,709

Another element of the reconciliation states that "Some liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $ (1,033,290) difference are as follows:

Liability Claims	$ (70,560)
Bonds Payable	(561,977)
Pooled Financing Loans	(33,460)
Net Premiums and Discounts on Bond and Loan Issuances	(6,097)
Unamortized Loss on Refunding	914
Contracts Payable	(4,715)
Notes Payable	(13,086)
Loans Payable	(161,220)
Accreted Interest Payable on Bonds	(14,682)
Accrued Interest Payable on Long Term Debt	(12,161)
Accrued Interest Payable on City Loans and Notes	(156,246)
Net adjustment to decrease Total Fund Balances - Governmental Funds to arrive at Total Net Assets of Governmental Activities	$ (1,033,290)

b. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities:

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between Net Change in Fund Balances - Total Governmental Funds and Changes in Net Assets of Governmental Activities as reported in the Government-wide Statement of Activities. One element of that reconciliation explains that, "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $10,758 difference are as follows:

Capital outlay	$	13,651
Depreciation expense		(1,772)
Capital Assets reclassified as Fund Assets		(1,121)
Net adjustment to increase Net Changes in Fund Balances – Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	10,758

Another element of the reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $3,305 difference are as follows:

Debt Issued or Incurred:		
Bond and Loan Issuance Costs	$	24
Net Accretion on Capital Appreciation Bonds		(1,845)
Loans Payable		(10,581)
Contracts Payable		(2,100)
Principal Repayments:		
Revenue Bonds		960
Tax Allocation Bonds		14,096
Pooled Financing Authority Loans Payable		655
Loans Payable		944
Notes Payable		876
Other Changes in Long Term Debt:		
Loan Payable Modificaton (See Note 5-c)		276
Net adjustment to increase Net Changes in Fund Balances – Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	3,305

Another element of the reconciliation states that "Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not accrued as expenses in governmental funds." The details of this $(83,134) difference are as follows:

Change in Liability Claims	$	(70,560)
Change in Accrued Interest on Long-Term Debt		(1,131)
Change in Accrued Interest on City Note and Loans		(10,952)
Amortization of Bond Issuance Costs		(585)
Amortization of Bond Premiums, Discounts and Deferred Charges on Refunding		94
Net adjustment to decrease Net Changes in Fund Balances – Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	(83,134)

3. CASH AND INVESTMENTS (In Thousands)

The following is a summary of the carrying amount of the Agency's cash and investments:

		Governmental Activities
Cash or Equity in Pooled Cash and Investments	$	539,984
Cash and Investments with Fiscal Agent		82,762
Investments at Fair Value		97,222
Total	$	719,968

a. Cash or Equity in Pooled Cash and Investments

The Agency participates in the City's Pooled Cash and Investments. Cash or Equity in Pooled Cash and Investments represents petty cash, cash at the bank in demand Pool deposit and/or savings accounts, and cash in escrow for contract retention payables. Furthermore, it represents equity in pooled cash and investments. The Agency does not own identifiable investment securities of the Pool; rather, it participates as a shareholder of the Pool. It does however, own identifiable investments which are not part of the Pool and are managed by the City Treasurer.

b. Cash and Investments with Fiscal Agent

Cash and Investments with Fiscal Agents represents cash and investments held by fiscal agents resulting from bond issuances. More specifically, these funds represent reserves held by fiscal agents or trustees as legally required by bond issuances and liquid investments held by fiscal agents or trustees which are used to pay debt service.

c. Investments at Fair Value

Investments at Fair Value represent investments managed by the City Treasurer which are not part of the City's Pooled Cash and Investments.

d. Investment Policy

City of San Diego Investment Policy

In accordance with City Charter Section 45 and under authority annually approved by the City Council, the City Treasurer is responsible for the safekeeping and investment of the unexpended cash in the City Treasury according to the City's Investment Policy (the "Policy"). This Policy applies to all of the investment activities of the City except for the pension trust funds, the proceeds of certain debt issues, which are managed and invested at the direction of the City Treasurer in accordance with the applicable indenture or by Trustees appointed under indenture agreements or by fiscal agents, and the assets of trust funds, which are placed in the custody of the Funds Commission by Council ordinance.

City staff reviews the Policy annually and may make revisions based upon changes to the California Government Code and the investment environment. These suggested revisions are presented to the Investment Advisory Committee (IAC) for review and comments. The IAC consists of two City representatives and three outside financial professionals with market and portfolio expertise not working for the City of San Diego. The City Council reviews the Policy and considers approval on an annual basis.

The IAC evaluates the horizon returns, risk parameters, security selection, and market assumptions the City's investment staff is using when explaining the City's investment returns. The IAC also meets semi-annually to review the previous two quarters' investment returns and make recommendations to the City Treasurer on proposals presented to the IAC by the Treasurer's staff.

The Policy is governed by the California Government Code (CGC), Sections 53600 et seq. The following table presents the authorized investments, requirements, and restrictions per the CGC and the City Policy:

Investment Type	Maximum Maturity (1)		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating	
	CGC	City Policy	CGC	City Policy	CGC	City Policy	CGC	City Policy
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	(2)	None	(2)	None	None
Bankers' Acceptances (6)	180 days	180 days	40%	40%	30%	10%	None	(3)
Commercial Paper (5)	270 days	270 days	25%	25%	10%	10%	P1	P1
Negotiable Certificates (6)	5 years	5 years	30%	30%	None	10%	None	(3)
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements (4)	92 days	92 days	20%	20%	None	None	None	None
Local Agency Investment Fund	N/A	N/A	None	None	None	None	None	None
Non-Negotiable Time Deposits (6)	5 years	5 years	None	25%	None	10%	None	(3)
Medium Term Notes/Bonds (6)	5 years	5 years	30%	30%	None	10%	A	A
Municipal Securities of California Local Agencies (6)	5 years	5 years	None	20%	None	10%	None	A
Mutual Funds	N/A	N/A	20%	5%	10%	None	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	AA
Mortgage Pass-Through Securities	5 years	5 years	20%	20%	None	None	AA	AAA
Financial Futures (5)	N/A	None	None	None	None	None	None	None

Footnotes:

(1) In the absence of a specified maximum, the maximum is 5 years.

(2) No more than one-third of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.

(3) Credit and maturity criteria must be in accordance per Section X of the City's Investment Policy.

(4) Maximum % of portfolio for Reverse Repurchase Agreements is 20% of base value

(5) Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds

(6) Investment types with a 10% maximum with one issuer are further restricted per the City's Investment Policy: 5% per issuer and an additional 5% with authorization by City Treasurer

According to the Policy, the City may enter into repurchase and reverse repurchase agreements only with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase agreement.

Additionally, the Policy authorizes investment in other specific types of securities. The City may invest in floating rate notes with coupon resets based upon a single fixed income index (which would be representative of an eligible investment), provided that security is not leveraged. Structured notes issued by U.S. government agencies that contain imbedded calls or options are authorized as long as those securities are not inverse floaters, range notes, or interest only strips derived from a pool of mortgages. A maximum of 8% of the "cost value" of the pooled portfolio may be invested in structured notes.

In fiscal year 2009, the City invested $15 million as part of the Certificate of Deposit Account Registry Service (CDARS). The CDARS investment was deposited with two institutions, $5 million with Neighborhood National Bank and $10 million with First Business Bank. Under the City Treasurer's Investment Policy, this type of investment is subject to a 1% limit of total portfolio value for the City's pooled investments. The CDARS investment program is permissible per the California Government Code (CGC), Section 53601.8, and is subject to a 30% limit of total portfolio value.

Ineligible investments prohibited from use in the portfolio include, but are not limited to, common stocks and long-term corporate notes/bonds. A copy of the investment Policy can be requested from the City Treasurer, 1200 3rd Avenue, Suite 1624, San Diego, CA 92101.

Other Investment Policies

The City and its component units, including the Agency, have funds invested in accordance with various bond indenture and trustee agreements. . The investment of these bond issuances is in accordance with the Permitted Investments section and applicable account restrictions outlined in the Indenture of each bond issuance. The Permitted Investments section in each Indenture will vary based upon the maturity, cash flow demands and reserve requirements associated with each issuance. In general, the Permitted Investments section of each Indenture will closely resemble the City Treasurer's Investment Policy, but may include certain investment options not authorized by applicable law for the City Treasurer's Investment Policy (CGC §53601). Copies of the individual bond indentures can be requested from the City Treasurer's Investment Division, 1200 3rd Avenue, Suite 1624, San Diego, CA 92101.

e. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market or interest-rate risk for the City's pooled investments is intended to be mitigated by establishing two portfolios, a liquidity portfolio and a core portfolio. Target durations are based upon the expected short and long-term cash needs of the City. The liquidity portfolio is structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least six months (per CGC Section 53646). The liquidity portfolio uses the Merrill Lynch 3-6 months Treasury Index as a benchmark with duration of plus or minus 40% of the duration of that benchmark.

The core portfolio uses the Merrill Lynch 1-3 years Treasury Index as a benchmark with a duration of plus or minus 20% of the duration of that benchmark. It consists of high quality liquid securities with a maximum maturity of 5 years and is structured to meet the longer-term cash needs of the City. Information about the sensitivity of the fair value of the Agency's investments to market interest rate fluctuations is presented in the table below.

	Maturity in Years				
	Under 1	1-3	3-5	Over 5	Fair Value
Cash or Equity in City Pooled Cash & Investments[1]	$ -	$ 539,984	$ -	$ -	$ 539,984
Non-Pooled Investments with City Treasurer:					
US Treasury Bills	88,041	-	-	-	88,041
US Treasury Notes & Bonds	2,089	-	-	-	2,089
US Agency Discount Notes	7,092	-	-	-	7,092
Subtotal - Non-Pooled Investments	97,222	-	-	-	97,222
Investments with Fiscal Agent:					
US Treasury Bills	23,596	-	-	-	23,596
US Treasury Notes & Bonds	8,894	-	-	-	8,894
US Agency Notes & Bonds	1,467	-	-	-	1,467
Money Market Mutual Funds	48,805	-	-	-	48,805
Subtotal - Investments with Fiscal Agent	82,762	-	-	-	82,762
Total Investments or Cash in City Pooled Cash	$ 179,984	$ 539,984	$ -	$ -	719,968

[1] As of June 30, 2009, the City Pooled Cash and Investments weighted average maturity was 511.28 days.

f. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2009, the Agency's investments and corresponding credit ratings are as follows:

	Moody's Rating	S&P	Fair Value	Percentage
Cash or Equity in City Pooled Cash & Investments	Not Rated	Not Rated	$ 639,984	100.00%
Non-Pooled Investments with City Treasurer:				
US Treasury Bills	Exempt	Exempt	88,041	90.56%
US Treasury Notes & Bonds*	Exempt	Exempt	2,089	2.15%
US Agencies - Federal National Mortgage Association	P1	N/A	7,092	7.29%
Subtotal - Non-Pooled Investments			97,222	100.00%
Investments with Fiscal Agent and Other Investments:				
US Treasury Bills	Exempt	Exempt	23,596	28.51%
US Treasury Notes & Bonds	Exempt	Exempt	8,894	10.75%
US Agencies - Federal National Mortgage Association	P1	N/A	1,467	1.77%
Money Market Mutual Funds	Aaa	N/A	48,805	58.97%
Subtotal - Other Investments			82,762	100.00%
Total Cash and Investments			$ 719,968	

"N/A" - S&P rating not applicable. Moody's rating provided.
"Not Available" - Bloomberg credit history did not have Moody's ratings, only S&P ratings.
"Exempt" - Per GASB 40, US Treasury Obligations do not require disclosure of credit quality.

g. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. Investments issued explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt. At June 30, 2009, more than 5% of the Agency's investments are with the Federal National Mortgage Association.

h. Custodial Credit Risk

At June 30, 2009, all of the Agency's cash and investments were part of the City's Pool, held by fiscal agents or invested by the City Treasurer outside of the City Pool. None of the Agency's cash and investments are uninsured and unregistered, with securities held by a counterparty, or by its trust department or agent but not in the Agency's name.

4. CAPITAL ASSETS (In Thousands)

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	$ 110,907	$ 13,651	$ (1,121)	$ 123,437
Total Non-Depreciable Capital Assets	110,907	13,651	(1,121)	123,437
Depreciable Capital Assets:				
Structures and Improvements	69,732	-	-	69,732
Equipment	819	-	-	819
Total Depreciable Capital Assets	70,551	-	-	70,551
Less Accumulated Depreciation for:				
Structures and Improvements	(3,630)	(1,744)	-	(5,374)
Equipment	(723)	(28)	-	(751)
Total Accumulated Depreciation	(4,353)	(1,772)	-	(6,125)
Total Depreciable Capital Assets, Net	66,198	(1,772)	-	64,426
Governmental Activities Capital Assets, Net	$ 177,105	$ 11,879	$ (1,121)	$ 187,863

Depreciation expense was charged to the Neigborhood Services governmental activities function in the amount of $ 1,772.

In the current fiscal year, land purchases for the development of parks in the Centre City Project Area resulted in an increase in the Agency's capital assets of $13,651. Land purchases and related costs of $8,742 were related to the development of the East Village Green Park site and $4,909 for the development of Saint Joseph's Park. These additions were offset by a decrease of $1,121 in land related to the Skateworld property in the Linda Vista Project Area resulting from the reclassification of land from capital assets to land held for resale. The property was reclassified due to the fact that the Agency intends to sell the property and will no longer continue to lease it.

5. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (In Thousands)

a. Long-Term Liabilities

Governmental activities long-term debt consists of revenue bonds, tax allocation bonds, contracts payable, notes payable, and loans payable. A summary of these obligations as recorded in the government-wide Statement of Net Assets as of June 30, 2009, is as follows:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2009
Liability Claims				$ 70,560
Revenue Bonds:				
Centre City Parking Revenue Bonds, Series 1999 A	4.5-6.4%[1]	2026	$ 12,105	9,860
Centre City Parking Revenue Bonds, Series 2003 B	3.0-5.3[1]	2027	20,515	17,570
Total Revenue Bonds			32,620	27,430
Tax Allocation Bonds:				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	7.8-8.75[1]	2014	1,400	580
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	4.4-6.0[1]	2020	1,200	750
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	3.8-6.0[1]	2016	12,970	6,355
Centre City Redevelopment Project Tax Allocation Bonds, Series 1999 A	3.0-5.125[1]	2019	26,680	26,200
Centre City Redevelopment Project Tax Allocation Bonds, Series 1999 B	6.25[1]	2014	11,360	11,360
Centre City Redevelopment Project Tax Allocation Bonds, Series 1999 C	3.1-4.75[1]	2026	13,610	11,705
City Heights Redevelopment Project Tax Allocation Bonds, Series 1999 A	4.6-5.8[1]	2029	5,690	5,060
City Heights Redevelopment Project Tax Allocation Bonds, Series 1999 B	5.75-6.4[2]	2029	10,141	8,982
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	4.0-5.6[1]	2025	6,100	4,810
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	3.95-5.35[1]	2025	21,390	18,190
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	4.25-5.875[1]	2022	15,025	13,110
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	4.25-5.875[1]	2031	13,000	11,200
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	4.1-5.9[1]	2031	7,000	6,035
Centre City Redevelopment Project Tax Allocation Bonds, Series 2001 A	4.93-5.55[3]	2027	58,425	55,795
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	5.0[1]	2027	3,055	3,055
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2.5-5.0[1]	2029	31,000	11,980
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	5.875-6.5[1]	2034	4,955	4,955
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2.5-4.25[1]	2014	865	410
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	4.65-5.1[1]	2022	6,325	6,325
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	3.25-5.45[1]	2022	4,530	4,300
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	3.49-7.74[1]	2022	6,000	6,565

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2009
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	1.5-6.125[1]	2028	7,145	6,045
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	4.75-5.0[1]	2034	5,360	5,360
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	3.5-5.25[1]	2030	101,180	93,410
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2.26-4.58[1]	2011	8,855	3,035
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2.26-6.18[1]	2030	27,785	25,035
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2.26-6.28[1]	2030	8,905	8,035
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	4.25-5.25[1]	2033	76,228	75,025
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	5.66-6.2[1]	2032	33,760	32,880
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	5.604-8.3[1]	2021	69,000	69,000
Total Tax Allocation Bonds			600,936	534,547
Total Bonds Payable			833,556	561,977
Contracts Payable:				
Contract Payable to SDSU Foundation dated December 1991	Variable[4]	-	1,598	1,598
Amendment to Contract Payable to SDSU Foundation dated January 1995	Variable[4]	-	117	117
Contract Payable to Western Pacific Housing, Inc dated April 2004	5.00	-	3,000	3,000
Total Contracts Payable			4,715	4,715
Notes Payable:				
Price Charities, dated April 2001	5.0	2032	5,115	2,505
Price Charities, dated May 2005	8.0	2025	2,100	2,100
Amendment to Note Payable to Price Charities, dated February 2006	8.0	2025	180	180
City of San Diego dated April 2002	8.0	-	8,300	8,300
Total Notes Payable			15,695	13,085
Pooled Financing Authority Loans				
Central Imperial Redevelopment Project Loan Payable dated June, 2007	4-6.65[1]	2038	14,865	14,530
Mount Hope Redevelopment Project Loan Payable dated June, 2007	5.95-6.37[1]	2021	3,110	2,775
Southcrest Redevelopment Project Loan Payable dated June, 2007	4-6.65[1]	2033	17,010	16,155
Total Pooled Financing Authority Loans			34,985	33,460

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2009
Loans Payable:				
International Gateway Associates, LLC				
dated October 2001	10.0	2032	1,876	1,788
PCCP/Las America, LLC,				
dated August 2005	10.0	2036	1,247	1,222
Centerpoint, LLC,				
dated April 2006	5.5	2021	4,969	4,969
Line of Credit from Bank of America				
dated October 2006	Variable[5]	2009	8,530	8,530
Line of Credit from San Diego National Bank[6]				
dated July 2007	1.0-6.42	2011	22,359	24,994
California Housing Financing Agency (HELP) Loan				
dated October 2008	3.0	2017	1,250	1,250
City of San Diego				
dated various dates	Variable[7]	-	118,467	118,467
Total Loans Payable			158,698	161,220
Accrued Interest Payable:				
City Note[8]		-	-	6,115
City Loans[8]		-	-	150,131
Total Accrued Interest Payable				156,246
Total Governmental Activities			$ 847,649	$ 1,001,264

[1] Interest rates are fixed, and reflect the range of rates for various maturities from date of issuance to maturity.

[2] The City Heights Tax Allocation Bonds, Series 1999 B, are capital appreciation bonds, which mature from fiscal year 2011 through 2029. The balance outstanding at June 30, 2009 does not include accreted interest of $7,695.

[3] The Centre City Tax Allocation Bonds, Series 2001 A, partially include capital appreciation bonds, which mature from fiscal year 2015 through 2027. The balance outstanding at June 30, 2009 does not include accreted interest of $6,987.

[4] San Diego State University Foundation executed an Agreement for Processing a Redevelopment Plan and Land Use Entitlements with the Redevelopment Agency of the City of San Diego which allows for reimbursement of expenses incurred by the Foundation, in assisting in the preparation and processing of the Redevelopment Plan and Land Use Entitlements in the College Area. The agreement is a variable rate obligation of the Agency. The unpaid principal bears interest at the prime rate and is fixed on a quarterly basis, using the prime rate established on the first banking day of each calendar quarter. Interest calculations are payable on the quarterly weighted average of the principal balance and are made at the end of the quarter based upon the rate fixed for that quarter. The interest rate is not to exceed 12 percent per annum on funds advanced to the Agency. The effective interest rate as of June 30, 2009 is 3.25 percent (also see page 68, Note 12 - Subsequent Events).

[5] Loans Payable includes a line of credit executed by the Redevelopment Agency of the City of San Diego with Bank of America, N.A. on October 31, 2006. The line of credit is to be used to refinance the North Park Theatre, to pay sums of settlement of eminent domain actions relating to the North Park Redevelopment Area and for other redevelopment activities in the North Park Redevelopment Area. The tax-exempt portion of the line of credit has an effective interest rate of 3.23 percent and the taxable portion has an effective interest rate of 4.75 percent as of June 30, 2009 and the effective interest rate will reset on October 31, annually.

[6] Loans Payable also includes six separate non-revolving secured three-year term lines of credit executed by RDA with San Diego National Bank dated July 26, 2007. Four lines of credit are for affordable housing in North Park, City Heights, North Bay and Naval Training Center (NTC) Redevelopment Project Areas. Two lines of credit are for non-housing or general purposes for City Heights and NTC Redevelopment Project Areas. Each advance taken from the lines of credit has a fixed rate that is set on the day of the advance to be equal to either the United States Three-Year Treasury Constant Maturities Index plus one and nine-tenths percentage point or the One-Month LIBOR Rate plus one and one-tenth percentage point and that rate remains constant during the entire period such advance is outstanding.

[7] The City of San Diego has loaned funds to the Redevelopment Agency to carry out and implement redevelopment activities which are expected to generate future tax increment revenues. The basis for computation of interest on these loans is based on the Prime Rate as printed in the Wall Street Journal on the first Monday following January 1 of the calendar year in which the fiscal year begins plus 2 percent on the outstanding principal loan balance only. The Prime Rate on January 1, 2008 was 7.25 percent.

[8] Interest on City Loans and Notes is not compounded.

b. Amortization Requirements

The debt service for tax allocation bonds are paid from tax increment from the project area and the bonds are secured from the tax increment of the project area. The debt service for revenue bonds are secured and paid first from the revenue generated by certain public parking facilities operated by the City pursuant to a Parking Structure Operating Agreement between the City and the Agency. In the event that the operating revenues are insufficient to pay the debt service, parking meter revenue and tax increment have been pledged as additional security for the bonds.

The annual requirements to amortize the Agency's long-term debt outstanding as of June 30, 2009, including interest payments to maturity, are as follows:

Year Ending June 30, 2009	Revenue Bonds		Tax Allocation Bonds			Pooled Financing Authority Loans	
	Principal	Interest	Principal	Unaccreted Appreciation	Interest	Principal	Interest
2010	$ 995	$ 1,463	$ 19,054	$ 2,163	$ 26,620	$ 680	$ 1,883
2011	1,040	1,418	19,948	2,243	25,727	770	1,846
2012	1,085	1,369	20,884	2,317	24,749	825	1,805
2013	1,135	1,315	24,143	2,388	23,612	860	1,762
2014	1,195	1,257	25,704	2,455	22,327	900	1,718
2015 - 2019	6,975	6,245	144,897	12,015	90,578	5,280	7,821
2020 - 2024	9,140	3,001	134,019	8,824	52,560	5,725	6,247
2025 - 2029	5,865	445	102,468	2,181	22,801	6,880	4,470
2030 - 2034	-	-	43,430	-	4,500	7,895	2,155
2035 - 2039	-	-	-	-	-	3,645	446
Total	27,430	15,513	534,547	34,586	293,474	33,460	30,153
Add: Accreted appreciation through June 30, 2009			14,682				
Total	$ 27,430	$ 15,513	$ 549,229	$ 34,586	$ 293,474	$ 33,460	$ 30,153

Year Ending June 30, 2008	Contracts Payable		Notes Payable		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ -	$ -	$ -	$ -	$ 8,561	$ 1,548
2011	-	-	-	-	25,027	588
2012	-	-	-	-	37	285
2013	-	-	-	-	40	291
2014	-	-	-	-	44	287
2015 - 2019	-	-	-	-	298	1,358
2020 - 2024	-	-	-	-	480	1,177
2025 - 2029	-	-	-	-	772	884
2030 - 2034	-	-	-	-	1,045	412
2035 - 2039	-	-	-	-	230	35
Unscheduled*	4,715	2,089	13,086	7,882	124,686	150,131
Total	$ 4,715	$ 2,089	$ 13,086	$ 7,882	$ 161,220	$ 157,006

*The contract payable to San Diego State University Foundation in the amount of $1,715, contract payable to Western Pacific Housing, Inc. in the amount of $3,000, notes payable to the Price Charities in the amount of $4,786, note payable to the City in the amount of $8,300, loan payable to Centerpoint, LLC in the amount of $4,969, loans payable to the California Housing Financing Agency in the amount of $1,250, loans payable to the City in the amount of $118,467 and accrued interest associated with Contracts, Loans and Notes of $160,102 do not have annual repayment schedules. Annual payments to Western Pacific Housing, Inc. and Price Charities debt are based on available tax increment. Annual payments to Centrepoint, LLC debt are based upon future receipts of unallocated tax increment or other available sources. Principal and accrued interest payable on City Loans are payable when practicable.

c. Changes in Long-Term Liabilities

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2009. The effect of bond accretion, bond premiums, discounts, and deferred amounts on bond refunds are amortized as adjustments to long-term liabilities.

	Balance, July 1, 2008	Additions	Reductions	Balance, June 30, 2009	Due Within One Year
Liability Claims	$ -	$ 70,560	$ -	$ 70,560	$ -
Revenue Bonds	28,390	-	(960)	27,430	995
Less deferred amounts:					
For Issuance Discounts	(93)	-	5	(88)	-
Net Revenue Bonds	28,297	-	(955)	27,342	995
Tax Allocation Bonds	548,643	-	(14,096)	534,547	19,054
Accretion	12,837	2,080	(235)	14,682	-
Net with Accretion	561,480	2,080	(14,331)	549,229	19,054
Less/Plus deferred amounts:					
For Issuance Premiums/Discounts	6,098	-	(274)	5,824	-
On Refunding	(1,103)	-	189	(914)	-
Net Tax Allocation Bonds	566,475	2,080	(14,416)	554,139	19,054
Pooled Financing Authority Loans	34,115	-	(655)	33,460	680
Less/Plus deferred amounts:					
For Issuance Premiums/Discounts	375	-	(14)	361	-
Net Pooled Financing Authority Loans	34,490	-	(669)	33,821	680
Contracts Payable	2,615	2,100	-	4,715	-
Notes Payable	13,962	-	(876)	13,086	-
Loans Payable	151,859	10,581	(1,220)	161,220	8,561
Interest Accrued on City Note and Loans	145,294	11,777	(825)	156,246	-
Total	$ 942,992	$ 97,098	$ (18,981)	$ 1,021,129	$ 29,290

The Agency drew $6,931 and $2,000 in loan proceeds from the San Diego National Bank lines of credit for the Naval Training Center and North Park project areas respectively. In addition, the Agency received $1,250 from the California Housing Financing Agency for development of affordable housing in the North Bay project area. Also, a $400 City Loan repayment from Southcrest was re-loaned to the Gateway Center West project area. Moreover, the Agency recognized the affordable housing component of the obligation to Western Pacific Housing, pursuant to a disposition and development agreement, increasing Contracts Payable by $2,100. In addition, accrued interest on outstanding City loans and notes increased by $10,709 and $1,068 respectively. These increases were offset by interest payments of $825.

In the current fiscal year, the Agency entered into a third implementation agreement with Centerpoint, LLC which converted the project from the sale of residential dwelling units to rental residential dwelling units. Due to the reduction in development costs, the amount of the loan was reduced from $5,245 to $4,969. The corresponding liability has been reduced from the Statement of Net Assets.

In the current fiscal year, the Agency entered into a settlement agreement with the County of San Diego (the "County") and Atomic Investments, Inc. related to a San Diego Superior Court Case seeking to invalidate the Redevelopment Plan for the Grantville Redevelopment Project Area. The settlement agreement resulted in an increase to liability claims of $70,560 (see note 10, page 65).

d. Defeasance and Redemption of Debt

As of June 30, 2009, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Amount Outstanding
Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000	$ 2,975
Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000	1,520
Total Defeased Bonds Outstanding	$ 4,495

e. Long-Term Pledged Liabilities

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments-generally, a single lump sum. The disclosures pertaining to future revenues that have been pledged or sold are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so.

Governmental long-term pledged liabilities as of June 30, 2009 are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Pledged Net Operating Revenue (Parking):				
Centre City Parking Revenue Bonds, Series 1999 A	2026	$ 16,065	$ 957	$ 953
Centre City Parking Revenue Bonds, Series 2003 B	2027	26,879	1,508	1,390
Total Pledged Net Operating Revenue (Parking)		42,944	2,465	2,343
Pledged Tax Increment Revenue:				
Bonds				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	2014	$ 732	$ 145	$ 145
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	2020	1,018	91	91
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	2016	7,778	1,116	1,110
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	2019	32,987	1,276	1,209
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	2014	13,154	710	3,083
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	2025	17,179	794	780
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	2029	8,497	430	418
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	2029	31,130	571	543

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	2025	7,215	445	441
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	2025	27,376	1,458	1,406
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	2022	18,806	1,353	1,340
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	2031	19,804	893	834
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	2031	10,676	479	448
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	2027	109,162	2,567	2,473
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	2027	5,355	153	153
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2029	21,107	3,971	3,886
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	2034	10,371	316	316
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2014	452	92	92
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	2022	9,487	310	306
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	2022	6,135	327	309
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	2022	10,252	798	770
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	2028	9,975	546	546
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	2034	11,189	259	259
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	2030	146,086	6,855	6,855
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2011	3,155	1,965	1,965
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2030	41,891	2,230	2,152
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2030	13,570	723	698
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	2033	125,477	4,356	4,268
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	2032	61,393	2,642	2,617
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	2021	95,878	2,800	8,927

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Pooled Financing Authority Loans				
Central Imperial Redevelopment Project Loan Payable dated June, 2007	2038	29,950	995	995
Mount Hope Redevelopment Project Loan Payable dated June, 2007	2021	3,890	334	334
Southcrest Redevelopment Project Loan Payable dated June 2007	2033	29,772	1,244	1,244
Contracts				
Contract Payable to SDSU Foundation, dated December 1991	---	3,095	-	-
Amendment to Contract Payable to SDSU Foundation, dated January 1995	—	233	-	-
Contract Payable to Western Pacific Housing, Inc., dated April 2004	—	3,476	-	-
Notes				
Note Payable to Price Charities, dated April 2001	2032	4,274	1,045	1,045
Note Payable to Price Charities, dated May 2005	2025	2,100	-	-
Amendment to Note Payable to Price Charities, dated February 2006	2025	180	-	-
Loans				
International Gateway Associates, LLC, dated October 2001	2032	4,776	199	199
PCCP/SB Las America, LLC, dated August 2005	2036	3,571	132	132
Centerpoint, LLC, dated April 2006	2021	4,969	-	-
Bank of America, N.A. Line of Credit, dated October 2006	2009	8,628	330	330
San Diego National Bank, Line of Credit, dated July 2007 City Heights Housing Area	2011	1,419	74	74
San Diego National Bank, Line of Credit, dated July 2007 City Heights Non-Housing Area	2011	2,255	163	163
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Housing Area	2011	2,748	55	55
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Non-Housing Area	2011	11,651	317	317
San Diego National Bank, Line of Credit, dated July 2007 North Bay Housing Area	2011	2,407	93	93
San Diego National Bank, Line of Credit, dated July 2007 North Park Non-Housing Area	2011	5,952	140	140
Naval Training Center Civic, Arts, and Cultural Center (Section 108)[1]	2025	8,962	509	509
Total Pledged Tax Increment Revenue		1,010,693	46,301	55,070
Total Pledged Revenue		$ 1,053,637	$ 48,766	$ 57,413

[1] Proceeds received by the City were loaned to the Agency and are reflected as part of City Loans Payable in other sections of the report. Tax Increment revenue from the Naval Training Center Project Area was pledged for repayment of this obligation.

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (In Thousands)

Interfund transfers result from the transfer of assets without the expectation of repayment. In the case of the Agency, transfers are most commonly used to move revenues from the fund in which they are collected to the fund in which they are expended. Interfund transfers for year ended June 30, 2009 are as follows:

	Benefiting Fund (Transfer In)				
Contributing Fund (Transfer Out)	Centre City Special Revenue Other	Centre City Debt Service	Centre City Capital Projects	Other Governmental Funds	Total Governmental Funds
Centre City Special Revenue Low-Mod	$ -	$ 15,393	$ -	$ -	$ 15,393
Centre City Special Revenue Other	-	2,344	-	-	2,344
Centre City Debt Service	28,688	-	9,571	-	38,259
Centre City Capital Projects	-	44	-	-	44
Other Governmental Funds	-	-	-	28,237	28,237
Total Governmental Funds	$ 28,688	$ 17,781	$ 9,571	$ 28,237	$ 84,277

7. RISK MANAGEMENT (In Thousands)

The Agency is exposed to various risks and losses related to torts, including theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Agency maintains contracts with various insurance companies to manage excessive risks and typically requires indemnification and insurance coverages in all contracts with its business partners.

The Agency does not directly employ management or staff. Rather, the business of the Agency is performed under contract with the City, CCDC, and SEDC. Each entity maintains insurance programs for workers compensation and employee injury risk as well as employee benefits plans.

The Agency maintains liability insurance for its own benefit and for the benefit of CCDC and SEDC for general liability, automobile liability, public officials liability, directors and officers liability, employment practices liability, and employee benefit liability. The Agency also carries crime and property insurance and earthquake insurance for designated buildings and structures.

There have been no significant reductions in these coverages in the past three fiscal years and there have been no settlements that exceeded the coverages in the past three fiscal years. The Agency, retains no significant risk of loss related to in any of the above referenced coverages.

8. FUND DEFICIT (In Thousands)

Fund	Net Deficit
Barrio Logan Capital Projects	$ (13)
College Community Capital Projects	(529)
College Grove Capital Projects	(101)

All of the deficits can be attributed to timing of inflows of financial resources. Most expenditures in Capital Projects Funds are reimbursed from Special Revenue Funds through transfers at the time cash is disbursed. In the case of these funds, expenditures related to City services have been accrued in the Capital Projects Funds and will be reimbursed at the time of payment the following year.

9. RELATED PARTY TRANSACTIONS (In Thousands)

During the year ended June 30, 2009 the Agency received $400 in loan proceeds from the City to be used for redevelopment activities in the Gateway Center West Project Area. This loan was funded by a principal payment of $181 and accrued interest of $219 on a sales tax City loan made to the Southcrest Project Area in prior years.

Loan repayments to the City also included a principal payment of $161 and related interest of $123 by the City Heights Project Area and a principal payment of $213 and related interest of $296 by the NTC project area. Both payments were made according to Section 108 loan debt service schedules. Also, The City Heights project area made a principal payment of $362 and related interest of $187 to the City State Route 274 and State Route 209 infrastructure fund for a property sold to the Agency in prior years in exchange for debt.

During the year ended June 30, 2009 the Agency received participation revenue from the City totaling $11,677. Of the total, $11,514 was received for activities in the Centre City Project Area, of which approximately $4,749 was associated with reimbursements of costs by the City, from Development Impact Fees, for eligible land costs related to St. Josephs Park. In addition, approximately $3,864 was associated with transfers of parking revenue to the Agency for debt service payments related to parking revenue bonds and for other downtown parking projects. Also, the Centre City Project Area received $2,901 in federal and state transportation grants awarded to the City for the construction of the Park Boulevard at Harbor Drive Pedestrian Bridge project. The City Heights Project Area received $163 in participation revenue resulting from the return of unspent contributions for capital improvement projects transferred to the City in prior years.

During the year ended June 30, 2009, the Agency's participation in City activities totaled $20,297. The Agency contributed $3,520 for City Capital Improvement Projects in various project areas. In addition, the Agency incurred $4,776 for planning services provided by the City related to the Barrio Logan, Grantville, North Bay and San Ysidro project areas. Also, the Centre City contributed $11,315 in tax increment funds for the satisfaction of the City's debt service obligations related to the Ballpark Lease Revenue Bonds, Series 2007A. In addition, the Agency transferred program income of $465 related to a residential project in the Centre City Project Area partly funded with Community Development Block Grant funds. The Agency also contributed $137 for the transitional housing program and $84 to fund a performance audit of SEDC.

In the current fiscal year, the Agency contributed affordable housing funds of approximately $1,911 for loan programs administered by the San Diego Housing Commission designed to assist low and moderate income persons and families with property rehabilitation and first time home buyer financing.

The Agency does not directly employ management or staff. The redevelopment project areas are overseen by the Redevelopment Division of the City's City Planning and Community Investment Department and two independent corporations, CCDC and SEDC. These activities are carried out pursuant to operating agreements with both the City and the Agency under which the City and the Agency agree to reimburse CCDC, SEDC and the Redevelopment Division for all eligible costs incurred in connection with such activities. These costs include the annual required contribution for the pension and other post employment benefits incurred by Redevelopment Division staff as well as payments made by CCDC and SEDC towards the defined contribution plans of its employees.

Pursuant to these operating agreements, the Agency provides a working capital advance to CCDC and SEDC to be deposited in an account with a commercial bank designated by each corporation as its depository. The corporations then draw funds to pay for eligible expenses incurred in connection with services rendered. At the end of each calendar month, the corporations submit to the Agency a voucher for the total of eligible expenses paid out of the account during the previous calendar month. Upon approval by the City, the corporations are reimbursed for these expenses. Similarly, costs for services incurred under the operating agreement with the Redevelopment Division of the City are initially recorded in the Redevelopment Division Administrative Fund and reimbursed by the Agency on a periodic basis upon receipt of a statement of expenses.

The following table reflects the reimbursements made during the current fiscal year:

	Amount
Centre City Development Corporation	$ 8,295
Southeastern Economic Development Corporation	2,304
City Redevelopment Division	3,065
Total	$ 13,664

10. COMMITMENTS AND LITIGATION SETTLEMENT (In Thousands)

BALLPARK COOPERATION AGREEMENT

On February 22, 2000 the Agency entered into a Ballpark Cooperation Agreement (the "Agreement") between the Agency and the City which authorized the Agency to pay for and implement certain activities for the development of the Baseball Park and Related Improvements. The development of the Baseball Park was financed with downtown redevelopment funds, City funds and private funding by the Padres. The City issued Lease Revenue Refunding Bonds, Series 2007A (Ballpark Bonds) to facilitate the financing of the Ballpark, of which, as of June 30, 2009, $149,930 remained outstanding, with an annual debt service of approximately $11,300. On March 20, 2009, the Agency Board and the City Council approved an amendment to the Agreement to provide for payment of additional funds by the Agency up to $56,597, from Centre City Project Area tax increment funds, towards debt service of the Ballpark Bonds for fiscal years 2009-2013.

GRANTVILLE SETTLEMENT AGREEMENT

In the current fiscal year, the Agency entered into a settlement agreement with the County of San Diego (the "County") and Atomic Investments, Inc. related to a San Diego Superior Court Case seeking to invalidate the Redevelopment Plan for the Grantville Redevelopment Project Area. The settlement agreement provides that the Agency, through CCDC, will pay $31,360 to the County in thirty-nine (39) annual payments commencing in fiscal year 2011-2012 to fund a portion of the cost of the construction of the North Embarcadero Project Improvements, as defined by the agreement. The settlement agreement also provides that the Agency will use land disposition proceeds and tax increment funds of the Grantville Redevelopment Project Area to pay $31,360 to the City in thirty-nine (39) annual payments commencing in fiscal year 2011-2012 to fund certain Transit Line Improvements in downtown San Diego. Finally, the settlement agreement provides that the Agency will pay $7,840 to the County to fund a portion of certain Joint Projects that benefit the Grantville Redevelopment Project Area and the County commencing in fiscal year 2011-2012.

11. CONTINGENCIES (In Thousands)

FEDERAL AND STATE GRANTS

The City recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the City's Federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this

time. The Single Audit for fiscal year 2008 was completed by Macias Gini & O'Connell LLP. The Single Audit for fiscal year 2009 is in process.

The Office of the Inspector General (OIG) audited the City's Community Development Block Grant (CDBG) program, specifically CDBG loans to the Agency, and on December 30, 2008, OIG issued its audit report to HUD, Office of Community Planning and Development (OPD). In addition to other findings, OIG determined that the City failed to execute loan agreements and repayment schedules for the CDBG loans issued to RDA that include a principal balance of $63,073 and an accumulated interest of approximately $76,129 totaling $139,202 in loans outstanding. The OIG audit report recommended that HUD require the City to execute written interagency agreements and loan agreements with the Agency for these outstanding loan amounts. The City is currently in discussions with HUD on the audit findings and any actions HUD may require of the City, including the possible repayment by the City of certain CDBG funds and that HUD could forgive a portion of the accumulated interest so that repayment of the loans would not adversely impact the Agency's project areas. Depending on the outcome of the City's negotiations with HUD, repayment of the loans by the Agency could impact the Agency's liquidity. The impact on liquidity could vary widely by project area whereby some project areas could experience little to no impact, other project areas could experience moderate impact, and other project areas could experience extensive impact to the point of potentially affecting the project areas' fundamental capacity to operate. These loans are reported as a component of loans payable and accrued interest payable to the City in the long-term liabilities footnote of this report with an "unscheduled" maturity date (see note 5).

CONTINUING DISCLOSURE OBLIGATIONS

The Agency, in connection with all bond offerings since the effective date (July 1995) of the continuing disclosure requirements of SEC Rule 15c2-12, has contractually obligated itself to provide annual financial information, including audited financial statements, within certain specified time periods (generally nine months) after the end of each fiscal year. The Agency has not been able to satisfy all contractual obligations to provide to the national repositories audited financial statements, or financial information and operating data, for fiscal years 2003 through 2009, on a timely basis. For each respective bond issuance, the Agency, as required by its continuing disclosure contractual obligations, provided to the national repositories a notice of the failure to file the audited annual financial statements information. In certain cases notices of failure to file were filed significantly after such filings were due.

LITIGATION AND REGULATORY ACTIONS

The Agency is a defendant in lawsuits pertaining to material matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the Agency arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings.

Estimates of the liabilities for unsettled claims are reported in the Government-Wide Statement of Net Assets. The liability is estimated by categorizing the various claims and supplemented by information provided by the City Attorney, as well as outside counsel, with respect to certain large individual claims and proceedings. The recorded liability is the Agency's best estimate based on available information. In the current fiscal year there were no liabilities reported in the Government-Wide Statement of Net Assets.

Significant individual lawsuits are described below.

Betty Jones v. San Diego Redevelopment Agency

This case concerns an allegation of personal injury due to a trip and fall in a City park. In the event of an adverse ruling, the liability facing the City is estimated to be in the range of $0 - $2,000.

SERAF OBLIGATIONS TO STATE OF CALIFORNIA

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of $2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of $2.05 billion will be made over two years, $1.7 billion in fiscal year 2010 and $350 million in fiscal year 2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift is approximately $55,649 in fiscal year 2010 and $11,457 in fiscal year 2011. Payments are to be made by May 10 of each respective fiscal year. The Agency intends to fund these payments with a combination of tax increment to be collected in fiscal year 2010 and 2011 and carryover funds from the current year.

A similar item was included in the AB1389 requiring an $11,457 SERAF payment by the Agency. On May 7, 2009, a Judgment was issued in the action filed in the Superior Court of California for Sacramento County titled "California Redevelopment Association et al v. Genest declaring the payment unconstitutional. In light of the Judgment, it was anticipated that the State would appeal the Judgment and/or attempt to revise the Cal. Health and Safety Code to remedy the unconstitutional nature of the statutes. Therefore, as of June 30, 2009 the funds remained encumbered for possible payment in case the State was successful in its appeal. On September 28, 2009, the State dropped the appeal.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA filed the lawsuit on October 20, 2009. The lawsuit asserts that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserts impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

BOND ISSUANCE

On July 30, 2009, RDA issued $13,930 of Subordinate Tax Allocation Bonds for the purpose of repaying certain outstanding obligations and to finance redevelopment activities relating to the North Park Redevelopment Project area. The Series 2009A bonds are payable solely from and secured by a pledge of Tax Revenues and are subordinate to the prior liens of the outstanding North Park Redevelopment Project Tax Allocation Bonds, Series 2000, Series 2003A and Series 2003B. The bond issuance is structured as term bonds and has an interest rate that ranges from 6.0% to 7.0%, with a final maturity date of November 1, 2039.

LITIGATION

On September 25, 2009, the Related Companies (Plaintiffs) filed a lawsuit against the Agency contending the Agency breached a negotiating agreement the Agency entered into with Plaintiffs. Plaintiffs claim a development agreement acceptable to Plaintiffs wrongfully failed to be executed by the Agency under the pretext that CCDC's president had a financial interest in Plaintiffs' sister company while CCDC's president resided in Florida. Plaintiffs claim they lost millions of dollars in pre-development investment expenditures as a result of the breach of the negotiating agreement. No estimate of the amount or range of potential loss may be made at this time.

TERMINATION OF AGREEMENT

On November 30, 2009, the Agency terminated a Disposition and Development Agreement (DDA) with CentrePoint LLC for the development of a mixed-use project within the Crossroads Project Area. Pursuant to the DDA, the Agency's contribution was in the form of a developer loan of $5,245 to be repaid from the Crossroads Low and Moderate Income Housing Fund to subsidize 47 affordable units. The loan amount was later reduced to $4,969 pursuant to a third implementation agreement with the developer. Termination of the agreement will result in recognition of revenue for the loan payable amount balance of $4,969 and removal of the long term liability in the government wide financial statements.

SETTLEMENT AGREEMENT

On December 9, 2009, the Agency Board approved the settlement agreement with San Diego State University Foundation (Foundation) on a complaint for specific performance alleging that the Agency breeched an agreement requiring the Agency to sell certain property to the plaintiff. The settlement provides that the Agency's contractual obligation of $1,715 and accrued interest of $1,613 payable to the Foundation will be reduced to the sum of $750. Additionally, the Agency will transfer fee title of the property to the Foundation by Grant Deed.

Required Supplementary Information

CENTRE CITY LOW AND MODERATE INCOME HOUSING
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
Year Ended June 30, 2009
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance Favorable (Unfavorable)
REVENUES					
Tax Increment	$ 25,073	$ -	$ 25,073	$ 22,940	$ 2,133
Interest / Rent / Other	4,640	86	4,726	2,108	2,618
Other Revenue	1,191	(1,112)	79	-	79
TOTAL REVENUES	30,904	(1,026)	29,878	25,048	4,830
EXPENDITURES					
Current:					
Low and Moderate Income Housing Expenditures	5,676	53,938	59,614	136,568	76,954
TOTAL EXPENDITURES	5,676	53,938	59,614	136,568	76,954
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,228	(54,964)	(29,736)	(111,520)	81,784
OTHER FINANCING SOURCES (USES)					
Transfers to Other Funds	(15,393)	-	(15,393)	(15,393)	-
TOTAL OTHER FINANCING SOURCES (USES)	(15,393)	-	(15,393)	(15,393)	-
NET CHANGES IN FUND BALANCE	9,835	(54,964)	(45,129)	(126,913)	81,784
Reserved for Encumbrances at July 1, 2008			64,341	64,341	-
Reserved for Low and Moderate Income Housing at July 1, 2008 (Net of Unrealized Gains [1]			61,849	62,572	(723)
Reserved for Low and Moderate Income Housing at June 30, 2009 (Net of Unrealized Gains [1]			(81,061)	-	(81,061)
FUND BALANCE UNDESIGNATED AT JUNE 30, 2009			$ -	$ -	$ -

[1] Unrealized Gains of $723 and $637 for fiscal years 2008 and 2009 respectively are not included in the budgetary basis of accounting

CENTRE CITY OTHER SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
Year Ended June 30, 2009
(In Thousands)

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance Favorable (Unfavorable)
REVENUES					
City Participation	$ 2,343	$ -	$ 2,343	$ 3,500	$ (1,157)
Interest / Rent / Other	1	3	4	-	4
TOTAL REVENUES	2,344	3	2,347	3,500	(1,153)
EXPENDITURES					
Current:					
City Repayment	11,315	-	11,315	11,315	-
Tax Sharing / ERAF / Other	16,353	7,473	23,826	26,396	2,570
TOTAL EXPENDITURES	27,668	7,473	35,141	37,711	2,570
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(25,324)	(7,470)	(32,794)	(34,211)	1,417
OTHER FINANCING SOURCES (USES)					
Transfers from Tax Increment	28,688	-	28,688	37,711	(9,023)
Transfers to Other Funds	(2,344)	-	(2,344)	(3,500)	1,156
TOTAL OTHER FINANCING SOURCES (USES)	26,344	-	26,344	34,211	(7,867)
NET CHANGES IN FUND BALANCE	1,020	(7,470)	(6,450)	-	(6,450)
Fund Balance Undesignated at Beginning of Year			57	57	-
FUND BALANCE UNDESIGNATED AT JUNE 30, 2009			$ (6,393)	$ 57	$ (6,450)

Notes to Required Supplementary Information
(In Thousands)

Note A - Budgetary Data

Prior to June 1, the Executive Director submits to the Agency Board of Directors and the City Council, a proposed budget for the fiscal year commencing July 1. The budget document does not adopt formal budgets for each of the Agency's funds. Rather, it presents a detailed list of revenue sources and expenditure line items for each of the project areas. Budgetary comparison schedules are presented for the Centre City Low and Moderate Income Housing and the Centre City Other Special Revenue funds.

During the proposed budgetary hearing, public comment is heard. The Agency's budget is then legally adopted generally during the months of May or June, through passage resolutions by the Agency's Board of Directors.

Budgetary control is maintained at the budget category level. All amendments to the adopted budget require Agency Board of Directors' approval except as delegated in the Annual Appropriation Resolution. The head of each of the administrative units, or their designee are authorized under the Appropriation Resolution to request the City Comptroller to make budgetary transfers within each project fund and transfer appropriations or loan available funds between sub-projects within a project, provided that such transfers or loans do not increase or decrease the total project budget or result in a use of funds which would be inconsistent with the permitted use(s) of such funds.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause reported budget amounts to be significantly different than the originally adopted budget amounts.

Note B - Explanation of Differences between Revenues, Expenditures, and Other Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and GAAP Major Special Revenue Funds on a GAAP Basis.

The Budgetary Comparison Schedules presented in this report reflect the total appropriations available for current fiscal year expenditures in the Centre City Low and Moderate Income Housing fund and Centre City Other Special Revenue funds. The categories used to report revenues, expenditures and other financing sources and uses at the fund level financial statements on a GAAP basis conform to uniform accounting standards established by the California State Controller's Office for all redevelopment agencies in the State. The Budgetary Comparison Schedules reflect expenditures as identified in the budget documents and do not reflect the GAAP basis categories established by the State because budgetary control is not maintained at this level.

The following table provides an explanation of additional adjustments made to the GAAP basis revenues and expenditures to reflect a budgetary basis of accounting.

Financial Statements Major Funds	Centre City Low/Mod	Centre City Other Special Revenue
Revenues		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	$ 29,878	$ 2,347
Adjustments:		
Investment income revenue resulting from unrealized gains on are excluded from the budgetary basis of accounting	(86)	(3)
Other Revenue associated with the reclassifiaction of a capital asset to a fund asset is excluded from the budgetary basis of accounting	1,189	N/A
Principal payments on notes receivable are included in the budgetary basis of accounting	(77)	N/A
Total revenues on a GAAP basis of accounting	$ 30,904	$ 2,344
Expenditures		
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	$ 59,614	$ 35,141
Adjustments:		
Encumbrances are included in the budgetary basis of accounting	(36,777)	(7,473)
Losses related to net realizable value of property held for resale are not included in the budgetary basis of accounting	2,508	N/A
Expenditures for notes receivable are included in the budgetary basis of accounting	(19,668)	N/A
Total expenditures on a GAAP basis of accounting	$ 5,677	$ 27,668

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NonMajor Governmental Funds

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009
(In Thousands)

	Other Governmental Funds				Total Nonmajor Governmental Funds
	Special Revenue		Debt Service	Capital Projects	
	Low/Mod	Other			
ASSETS					
Cash or Equity in Pooled Cash and Investments	$ 35,347	$ 12,151	$ 60,233	$ 20,846	$ 128,577
Cash and Investments with Fiscal Agent	-	-	15,947	-	15,947
Investments at Fair Value	1,341	-	-	5,751	7,092
Receivables:					
Taxes	250	224	779	-	1,253
Notes and Contracts	32,764	-	-	3,695	36,459
Interest	113	39	222	90	464
Working Capital Advances:					
Centre City Development Corporation	-	-	-	275	275
Southeastern Economic Development Corporation	-	-	-	295	295
City of San Diego	-	-	-	623	623
Land Held for Resale	1,643	-	-	8,375	10,018
Prepaid Items and Deposits	-	-	-	71	71
TOTAL ASSETS	$ 71,458	$ 12,414	$ 77,181	$ 40,021	$ 201,074
LIABILITIES					
Accounts Payable	$ 29	$ -	$ -	$ 1,975	$ 2,004
Sundry Trust Liability	50	-	-	373	423
TOTAL LIABILITIES	79	-	-	2,348	2,427
FUND BALANCES					
Fund Balances:					
Reserved for Land Held for Resale	1,643	-	-	8,375	10,018
Reserved for Notes Receivable	32,764	-	-	3,695	36,459
Reserved for Encumbrances	27,597	3,985	513	16,691	48,786
Reserved for Working Capital Advances	-	-	-	1,193	1,193
Reserved for Low and Moderate Income Housing	13,959	-	-	-	13,959
Reserved for Debt Service	-	-	15,947	-	15,947
Unreserved:					
Reported in Special Revenue Funds:					
Designated for Unrealized Gain	-	59	-	-	59
Designated for Subsequent Years' Expenditures	-	8,808	-	-	8,808
Undesignated	(4,594)	(438)	-	-	(5,032)
Reported in Debt Service Funds:					
Designated for Debt Service	-	-	60,720	-	60,720
Designated for Subsequent Years' Expenditures	-	-	1	-	1
Reported in Capital Projects Funds:					
Designated for Unrealized Gain	-	-	-	184	184
Designated for Subsequent Years' Expenditures	-	-	-	16,902	16,902
Undesignated	-	-	-	(9,357)	(9,357)
TOTAL FUND BALANCES	71,379	12,414	77,181	37,673	198,647
TOTAL LIABILITIES AND FUND BALANCES	$ 71,458	$ 12,414	$ 77,181	$ 40,021	$ 201,074

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2009
(In Thousands)

	Other Governmental Funds				Total Nonmajor Governmental Funds
	Special Revenue		Debt Service	Capital Projects	
	Low/Mod	Other			
REVENUES					
Tax Increments	$ 13,436	$ 11,890	$ 41,870	$ -	$ 67,196
Investment Income	1,212	404	2,235	1,027	4,878
Rents	-	-	-	303	303
Private Sources	-	-	-	2,250	2,250
City Participation	-	-	-	163	163
Other Revenue	713	-	-	1,403	2,116
TOTAL REVENUES	15,361	12,294	44,105	5,146	76,906
EXPENDITURES					
Administration	805	-	475	5,538	6,818
Legal	5	-	-	1,418	1,424
Plans and Surveys	113	-	-	1,829	1,942
Acquisition Expense	-	-	-	86	86
Real Estate/Fixture Purchases	11	-	-	283	294
Property Management	6	-	-	582	588
Relocation	-	-	-	152	152
Rehabilitation	1,690	-	-	457	2,147
Project Improvements	5,146	-	-	6,963	12,109
Program Management	11	-	-	395	406
Rehabilitation Loans	250	-	-	-	250
Housing Subsidies	2,008	-	-	-	2,008
Tax Sharing Payments	-	11,446	37	-	11,483
City Projects	137	-	-	8,152	8,289
Other	-	-	-	17	17
Debt Service:					
Principal	-	-	5,476	-	5,476
Interest	-	-	9,494	-	9,494
TOTAL EXPENDITURES	10,183	11,446	15,482	25,872	62,983
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,178	848	28,623	(20,726)	13,923
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	3,984	648	4,754	18,851	28,237
Transfers to Other Funds	(4,164)	-	(19,407)	(4,666)	(28,237)
Proceeds from Private Loans, Notes and Contracts	7,985	-	-	4,296	12,281
Loans from the City of San Diego	-	-	-	400	400
TOTAL OTHER FINANCING SOURCES (USES)	7,805	648	(14,653)	18,881	12,681
NET CHANGE IN FUND BALANCES	12,983	1,496	13,970	(1,845)	26,604
FUND BALANCES AT JUNE 30, 2008	58,396	10,918	63,211	39,518	172,043
FUND BALANCES AT JUNE 30, 2009	$ 71,379	$ 12,414	$ 77,181	$ 37,673	$ 198,647

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2009
(In Thousands)

	Barrio Logan		Central Imperial	
	Low-Mod	Other	Low-Mod	Other
ASSETS				
Cash or Equity in Pooled Cash and Investments	$ 371	$ 86	$ 1,406	$ -
Investments at Fair Value	-	-	950	-
Receivables:				
Taxes	8	4	7	-
Notes and Contracts	-	-	-	-
Interest	2	1	5	-
Land Held for Resale	-	-	695	-
TOTAL ASSETS	$ 381	$ 90	$ 3,063	$ -
LIABILITIES				
Accounts Payable	$ -	$ -	$ 5	$ -
Sundry Trust Liability	-	-	-	-
TOTAL LIABILITIES	-	-	5	-
FUND BALANCES				
Fund Balances:				
Reserved for Land Held for Resale	-	-	695	-
Reserved for Notes Receivable	-	-	-	-
Reserved for Encumbrances	-	41	105	165
Reserved for Low and Moderate Income Housing	381	-	2,258	-
Unreserved:				
Reported in Special Revenue Funds:				
Designated for Unrealized Gain	-	-	-	-
Designated for Subsequent Years' Expenditures	-	37	-	-
Undesignated	-	12	-	(165)
TOTAL FUND BALANCES	381	90	3,058	-
TOTAL LIABILITIES AND FUND BALANCES	$ 381	$ 90	$ 3,063	$ -

City Heights		College Community		College Grove	
Low-Mod	Other	Low-Mod	Other	Low-Mod	Other
$ 2,730	$ 4,943	$ 945	$ 151	$ 573	$ 206
-	-	-	-	-	-
44	72	-	-	3	2
5,638	-	-	-	-	-
9	15	4	-	2	1
-	-	-	-	-	-
$ 8,421	$ 5,030	$ 949	$ 151	$ 578	$ 209
$ -	$ -	$ -	$ -	$ -	$ -
50	-	-	-	-	-
50	-	-	-	-	-
-	-	-	-	-	-
5,638	-	-	-	-	-
4,367	813	-	54	522	47
-	-	949	-	56	-
-	21	-	-	-	1
-	4,096	-	97	-	164
(1,634)	190	-	-	-	7
8,371	5,030	949	151	578	209
$ 8,421	$ 5,030	$ 949	$ 151	$ 578	$ 209

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2009
(In Thousands)

	Crossroads		Gateway Center West	
	Low-Mod	Other	Low-Mod	Other
ASSETS				
Cash or Equity in Pooled Cash and Investments	$ 2,556	$ 787	$ 153	$ -
Investments at Fair Value	-	-	-	-
Receivables:				
Taxes	15	15	1	-
Notes and Contracts	-	-	-	-
Interest	9	2	1	-
Land Held for Resale	-	-	-	-
TOTAL ASSETS	$ 2,580	$ 804	$ 155	$ -
LIABILITIES				
Accounts Payable	$ -	$ -	$ -	$ -
Trust Liability	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Fund Balances:				
Reserved for Land Held for Resale	-	-	-	-
Reserved for Notes Receivable	-	-	-	-
Reserved for Encumbrances	1,924	284	-	23
Reserved for Low and Moderate Income Housing	656	-	155	-
Unreserved:				
Reported in Special Revenue Funds:				
Designated for Unrealized Gain	-	4	-	-
Designated for Subsequent Years' Expenditures	-	516	-	-
Undesignated	-	-	-	(23)
TOTAL FUND BALANCES	2,580	804	155	-
TOTAL LIABILITIES AND FUND BALANCES	$ 2,580	$ 804	$ 155	$ -

Grantville		Horton Plaza		Linda Vista		Mount Hope	
Low-Mod	Other	Low-Mod	Other	Low-Mod	Other	Low-Mod	Other
$ 473	$ 251	$ 4,542	$ -	$ 21	$ -	$ 1,522	$ 1
-	-	-	-	-	-	-	-
4	4	33	-	-	-	2	-
-	-	14,198	-	-	-	150	-
1	-	15	-	-	-	5	1
-	-	926	-	-	-	-	-
$ 478	$ 255	$ 19,714	$ -	$ 21	$ -	$ 1,679	$ 2
$ -	$ -	$ 9	$ -	$ -	$ -	$ 3	$ -
-	-	-	-	-	-	-	-
-	-	9	-	-	-	3	-
-	-	926	-	-	-	-	-
-	-	14,198	-	-	-	150	-
160	-	732	712	-	7	2	121
318	-	3,849	-	21	-	1,524	-
-	1	-	-	-	-	-	-
-	109	-	-	-	-	-	-
-	145	-	(712)	-	(7)	-	(119)
478	255	19,705	-	21	-	1,676	2
$ 478	$ 255	$ 19,714	$ -	$ 21	$ -	$ 1,679	$ 2

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2008
(In Thousands)

	Naval Training Center		North Bay	
	Low-Mod	Other	Low-Mod	Other
ASSETS				
Cash or Equity in Pooled Cash and Investments	$ 2,894	$ 903	$ 7,615	$ 1,793
Investments at Fair Value	-	-	-	-
Receivables:				
Taxes	21	21	47	47
Notes and Contracts	2,635	-	2,255	-
Interest	10	3	18	6
Land Held for Resale	-	-	-	-
TOTAL ASSETS	$ 5,560	$ 927	$ 9,935	$ 1,846
LIABILITIES				
Accounts Payable	$ -	$ -	$ -	$ -
Trust Liability	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Fund Balances:				
Reserved for Land Held for Resale	-	-	-	-
Reserved for Notes Receivable	2,635	-	2,255	-
Reserved for Encumbrances	5,721	297	6,239	540
Reserved for Low and Moderate Income Housing	-	-	1,441	-
Unreserved:				
Reported in Special Revenue Funds:				
Designated for Unrealized Gain	-	5	-	10
Designated for Subsequent Years' Expenditures	-	625	-	1,176
Undesignated	(2,796)	-	-	120
TOTAL FUND BALANCES	5,560	927	9,935	1,846
TOTAL LIABILITIES AND FUND BALANCES	$ 5,560	$ 927	$ 9,935	$ 1,846

North Park		San Ysidro		Southcrest		Total	
Low-Mod	Other	Low-Mod	Other	Low-Mod	Other	Low-Mod	Other
$ 4,461	$ 1,605	$ 3,179	$ 1,425	$ 1,998	$ 1	$ 35,347	$ 12,151
-	-	-	-	391	-	1,341	-
35	35	24	24	6	-	250	224
6,429	-	-	-	1,459	-	32,764	-
16	6	11	4	6	-	113	39
-	-	-	-	22	-	1,643	-
$ 10,940	$ 1,646	$ 3,214	$ 1,453	$ 3,790	$ 1	$ 71,458	$ 12,414
$ -	$ -	$ -	$ -	$ 12	$ -	$ 29	$ -
-	-	-	-	-	-	50	-
-	-	-	-	12	-	79	-
-	-	-	-	22	-	1,643	-
6,429	-	-	-	1,459	-	32,764	-
4,875	432	2,937	280	213	169	27,597	3,985
-	-	277	-	2,084	-	13,969	-
-	9	-	8	-	-	-	59
-	1,146	-	942	-	-	-	8,808
(154)	59	-	223	-	(168)	(4,594)	(438)
10,940	1,646	3,214	1,453	3,778	1	71,379	12,414
$ 10,940	$ 1,646	$ 3,214	$ 1,453	$ 3,790	$ 1	$ 71,458	$ 12,414

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year Ended June 30, 2009
(In Thousands)

	Barrio Logan		Central Imperial	
	Low-Mod	Other	Low-Mod	Other
REVENUES				
Tax Increments	$ 138	$ 69	$ 491	$ -
Investment Income	11	3	70	-
Other Revenue	-	-	76	-
TOTAL REVENUES	149	72	637	-
EXPENDITURES				
Administration	14	-	38	-
Legal	-	-	-	-
Plans and Surveys	-	-	62	-
Real Estate/Fixture Purchases	-	-	-	-
Property Management	-	-	2	-
Rehabilitation	-	-	-	-
Project Improvements	-	-	-	-
Program Management	-	-	2	-
Rehabilitation Loans	-	-	-	-
Housing Subsidies	-	-	-	-
Tax Sharing Payments	-	56	-	274
City Projects	-	-	-	-
TOTAL EXPENDITURES	14	56	104	274
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	135	16	533	(274)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	7	274
Transfers to Other Funds	-	-	(294)	-
Proceeds from Private Loans, Notes and Contracts	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(287)	274
NET CHANGE IN FUND BALANCES	135	16	246	-
FUND BALANCES AT JUNE 30, 2008	246	74	2,812	-
FUND BALANCES AT JUNE 30, 2009	$ 381	$ 90	$ 3,058	$ -

City Heights		College Community		College Grove	
Low-Mod	Other	Low-Mod	Other	Low-Mod	Other
$ 2,791	$ 4,535	$ 226	$ 143	$ 164	$ 131
86	180	30	5	17	6
15	-	-	-	-	-
2,892	4,715	256	148	181	137
149	-	11	-	12	-
5	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
750	-	-	-	-	-
24	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
333	-	-	-	-	-
-	4,576	-	144	-	104
-	-	-	-	-	-
1,261	4,576	11	144	12	104
1,631	139	247	4	169	33
28	-	-	-	-	-
(1,549)	-	-	-	-	-
-	-	-	-	-	-
(1,521)	-	-	-	-	-
110	139	247	4	169	33
8,261	4,891	702	147	409	176
$ 8,371	$ 5,030	$ 949	$ 151	$ 578	$ 209

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year Ended June 30, 2009
(In Thousands)

	Crossroads		Gateway Center West	
	Low-Mod	Other	Low-Mod	Other
REVENUES				
Tax Increments	$ 860	$ 860	$ 69	$ -
Investment Income	83	25	5	-
Other Revenue	-	-	-	-
TOTAL REVENUES	943	885	74	-
EXPENDITURES				
Administration	64	-	8	-
Legal	-	-	-	-
Plans and Surveys	-	-	-	-
Real Estate/Fixture Purchases	-	-	-	-
Property Management	-	-	-	-
Rehabilitation	-	-	-	-
Project Improvements	-	-	-	-
Program Management	-	-	1	-
Rehabilitation Loans	250	-	-	-
Housing Subsidies	-	-	-	-
Tax Sharing Payments	-	855	-	-
City Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	314	855	9	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	629	30	65	-
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	(29)	-
Proceeds from Private Loans, Notes and Contracts	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(29)	-
NET CHANGE IN FUND BALANCES	629	30	36	-
FUND BALANCES AT JUNE 30, 2007	1,951	774	119	-
FUND BALANCES AT JUNE 30, 2008	$ 2,580	$ 804	$ 155	$ -

Grantville		Horton Plaza		Linda Vista		Mount Hope	
Low-Mod	Other	Low-Mod	Other	Low-Mod	Other	Low-Mod	Other
$ 470	$ 485	$ 1,723	$ -	$ 19	$ -	$ 335	$ -
21	7	158	-	1	-	80	2
-	-	-	-	-	-	343	-
491	492	1,881	-	20	-	758	2
13	-	101	-	2	-	56	-
-	-	1	-	-	-	-	-
-	-	-	-	-	-	13	-
-	-	-	-	-	-	-	-
-	-	4	-	-	-	-	-
-	-	-	-	16	-	-	-
-	-	101	-	-	-	-	-
-	-	-	-	-	-	5	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	237	-	-	-	-	-	130
-	-	137	-	-	-	-	-
13	237	404	-	18	-	74	130
478	255	1,477	-	2	-	684	(128)
-	-	-	-	-	-	1	130
-	-	(770)	-	-	-	(115)	-
-	-	-	-	-	-	-	-
-	-	(770)	-	-	-	(114)	130
478	255	707	-	2	-	570	2
-	-	18,998	-	19	-	1,106	-
$ 478	$ 255	$ 19,705	$ -	$ 21	$ -	$ 1,676	$ 2

Continue on next page

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year Ended June 30, 2009
(In Thousands)

	Naval Training Center		North Bay	
	Low-Mod	Other	Low-Mod	Other
REVENUES				
Tax Increments	$ 981	$ 981	$ 1,775	$ 1,775
Investment Income	86	26	209	57
Other Revenue	-	-	-	-
TOTAL REVENUES	1,067	1,007	1,984	1,832
EXPENDITURES				
Administration	16	-	30	-
Legal	-	-	-	-
Plans and Surveys	-	-	-	-
Real Estate/Fixture Purchases	-	-	-	-
Property Management	-	-	-	-
Rehabilitation	29	-	-	-
Project Improvements	150	-	2,711	-
Program Management	-	-	-	-
Rehabilitation Loans	-	-	-	-
Housing Subsidies	-	-	1,675	-
Tax Sharing Payments	-	800	-	1,646
City Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	195	800	4,416	1,646
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	872	207	(2,432)	186
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	3,947	-
Transfers to Other Funds	(55)	-	(180)	-
Proceeds from Private Loans and Notes	2,635	-	1,250	-
TOTAL OTHER FINANCING SOURCES (USES)	2,580	-	5,017	-
NET CHANGE IN FUND BALANCES	3,452	207	2,585	186
FUND BALANCES AT JUNE 30, 2008	2,108	720	7,350	1,660
FUND BALANCES AT JUNE 30, 2009	$ 5,560	$ 927	$ 9,935	$ 1,846

North Park		San Ysidro		Southeast		Total	
Low-Mod	Other	Low-Mod	Other	Low-Mod	Other	Low-Mod	Other
$ 1,546	$ 1,546	$ 1,365	$ 1,365	$ 481	$ -	$ 13,436	$ 11,890
164	55	94	37	97	1	1,212	404
3	-	-	-	276	-	713	-
1,713	1,601	1,459	1,402	854	1	15,361	12,294
53	-	191	-	47	-	805	-
-	-	-	-	-	-	6	-
-	-	-	-	36	-	113	-
11	-	-	-	-	-	11	-
-	-	-	-	-	-	6	-
470	-	425	-	-	-	1,690	-
2,100	-	-	-	-	-	5,146	-
-	-	-	-	3	-	11	-
-	-	-	-	-	-	250	-
-	-	-	-	-	-	2,008	-
-	1,593	-	787	-	244	-	11,446
-	-	-	-	-	-	137	-
2,634	1,593	616	787	86	244	10,183	11,446
(921)	8	843	615	766	(243)	5,178	848
-	-	-	-	1	244	3,984	648
(923)	-	-	-	(249)	-	(4,164)	-
4,100	-	-	-	-	-	7,985	-
3,177	-	-	-	(248)	244	7,805	648
2,256	8	843	615	518	1	12,983	1,496
8,684	1,638	2,371	838	3,260	-	58,396	10,918
$ 10,940	$ 1,646	$ 3,214	$ 1,453	$ 3,778	$ 1	$ 71,379	$ 12,414

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
June 30, 2009
(In Thousands)

	Barrio Logan	Central Imperial	City Heights
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 171	$ 930	$ 9,716
Cash and Investments with Fiscal Agent	-	1,228	1,943
Receivables:			
Taxes	28	29	105
Interest	1	4	38
TOTAL ASSETS	$ 200	$ 2,191	$ 11,802
FUND BALANCES			
Reserved for Encumbrances	$ -	$ 19	$ -
Reserved for Debt Service	-	1,228	1,943
Unreserved:			
Reported in Debt Service Funds:			
Designated for Debt Service	200	944	9,859
Designated for Subsequent Years' Expenditures	-	-	-
TOTAL FUND BALANCES	200	2,191	11,802
TOTAL LIABILITIES AND FUND BALANCES	$ 200	$ 2,191	$ 11,802

College Community	College Grove	Crossroads	Gateway Center West	Grantville	Horton Plaza
$ 1,243	$ 1,320	$ 4,053	$ 469	$ 579	$ 14,078
-	-	-	155	-	8,136
1	10	44	5	12	133
4	4	17	2	3	46
$ 1,248	$ 1,334	$ 4,114	$ 631	$ 594	$ 22,393
$ -	$ -	$ 494	$ -	$ -	$ -
-	-	-	155	-	8,136
1,248	1,334	3,620	476	594	14,257
-	-	-	-	-	-
1,248	1,334	4,114	631	594	22,393
$ 1,248	$ 1,334	$ 4,114	$ 631	$ 594	$ 22,393

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
June 30, 2009
(In Thousands)

	Linda Vista	Mount Hope	Naval Training Center
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 133	$ 1,259	$ 3,448
Cash and Investments with Fiscal Agent	-	316	-
Receivables:			
Taxes	1	9	62
Interest	1	5	10
TOTAL ASSETS	$ 135	$ 1,589	$ 3,520
FUND BALANCES			
Reserved for Encumbrances	$ -	$ -	$ -
Reserved for Debt Service	-	316	-
Unreserved:			
Reported in Debt Service Funds:			
Designated for Debt Service	135	1,272	3,520
Designated for Subsequent Years' Expenditures	-	1	-
TOTAL FUND BALANCES	135	1,588	3,520
TOTAL LIABILITIES AND FUND BALANCES	$ 135	$ 1,589	$ 3,520

North Bay	North Park	San Ysidro	Southcrest	Total
$ 9,820	$ 7,729	$ 3,179	$ 2,106	$ 60,233
982	1,613	-	1,574	15,947
141	104	72	23	779
33	26	20	8	222
$ 10,976	$ 9,472	$ 3,271	$ 3,711	$ 77,181
$ -	$ -	$ -	$ -	$ 513
982	1,613	-	1,574	15,947
9,994	7,859	3,271	2,137	60,720
-	-	-	-	1
10,976	9,472	3,271	3,711	77,181
$ 10,976	$ 9,472	$ 3,271	$ 3,711	$ 77,181

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
Year Ended June 30, 2009
(In Thousands)

	Barrio Logan	Central Imperial	City Heights
REVENUES			
Tax Increments	$ 484	$ 1,964	$ 6,628
Investment Income	2	41	363
TOTAL REVENUES	486	2,005	6,991
EXPENDITURES			
Administration	6	21	105
Tax Sharing Payments	-	37	-
Debt Service:	-		
Principal	-	165	1,949
Interest	-	830	1,648
TOTAL EXPENDITURES	6	1,053	3,702
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	480	952	3,289
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	-	199	1,834
Transfers to Other Funds	(330)	(1,649)	(3,963)
TOTAL OTHER FINANCING SOURCES (USES)	(330)	(1,450)	(2,129)
NET CHANGE IN FUND BALANCES	150	(498)	1,160
FUND BALANCES AT JUNE 30, 2008	50	2,689	10,642
FUND BALANCES AT JUNE 30, 2009	$ 200	$ 2,191	$ 11,802

College Community	College Grove	Crossroads	Gateway Center West	Grantville	Horton Plaza
$ 771	$ 523	$ 2,579	$ 277	$ 1,409	$ 6,893
33	40	155	16	67	490
804	563	2,734	293	1,476	7,383
8	6	31	6	7	64
-	-	-	-	-	-
-	-	-	55	-	1,740
-	-	-	60	-	2,164
8	6	31	151	7	3,968
796	557	2,703	142	1,469	3,415
-	-	-	29	-	770
(192)	(48)	(2,012)	(138)	(875)	(1,153)
(192)	(48)	(2,012)	(109)	(875)	(383)
604	509	691	33	594	3,032
644	825	3,423	598	-	19,361
$ 1,248	$ 1,334	$ 4,114	$ 631	$ 594	$ 22,393

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
Year Ended June 30, 2009
(In Thousands)

	Linda Vista	Mount Hope	Naval Training Center
REVENUES			
Tax Increments	$ 77	$ 1,339	$ 2,943
Investment Income	5	42	122
TOTAL REVENUES	82	1,381	3,065
EXPENDITURES			
Administration	6	10	33
Tax Sharing Payments	-	-	-
Debt Service:			
Principal	-	205	213
Interest	-	372	760
TOTAL EXPENDITURES	6	587	1,006
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	76	794	2,059
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	-	115	55
Transfers to Other Funds	(144)	(805)	(386)
TOTAL OTHER FINANCING SOURCES (USES)	(144)	(690)	(331)
NET CHANGE IN FUND BALANCES	(68)	104	1,728
FUND BALANCES AT JUNE 30, 2008	203	1,485	1,792
FUND BALANCES AT JUNE 30, 2009	$ 135	$ 1,589	$ 3,520

North Bay	North Park	San Ysidro	Southeast	Total
$ 5,326	$ 4,637	$ 4,095	$ 1,925	$ 41,870
353	250	184	72	2,235
5,679	4,887	4,279	1,997	44,105
59	55	42	16	475
-	-	-	-	37
250	330	28	511	9,476
764	1,459	304	1,133	9,494
1,073	1,844	374	1,660	15,482
4,606	3,043	3,905	337	28,623
180	923	-	649	4,754
(2,658)	(1,032)	(3,205)	(817)	(19,407)
(2,478)	(109)	(3,205)	(168)	(14,653)
2,128	2,934	700	169	13,970
8,046	6,538	2,571	3,542	63,211
$ 10,976	$ 9,472	$ 3,271	$ 3,711	$ 77,181

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
June 30, 2009
(In Thousands)

	Barrio Logan	Central Imperial	City Heights
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 212	$ 1,243	$ 1,266
Investments at Fair Value	-	3,426	-
Receivables:			
Notes and Contracts	400	496	2,799
Interest	1	3	8
Working Capital Advances:			
Centre City Development Corporation	-	-	-
Southeastern Economic Development Corporation	-	68	-
City of San Diego	-	-	231
Land Held for Resale	40	2,000	3,142
Prepaid Items and Deposits	-	-	-
TOTAL ASSETS	$ 653	$ 7,236	$ 7,446
LIABILITIES			
Accounts Payable	$ 666	$ 226	$ 59
Sundry Trust Liabilities	-	14	-
TOTAL LIABILITIES	666	240	59
FUND BALANCES			
Reserved for Land Held for Resale	40	2,000	3,142
Reserved for Notes Receivable	400	496	2,799
Reserved for Encumbrances	131	1,294	1,185
Reserved for Working Capital Advances	-	68	231
Unreserved:			
Reported in Capital Project Funds:			
Designated for Unrealized Gain	1	5	89
Designated for Subsequent Years' Expenditures	-	3,090	-
Undesignated	(585)	43	(59)
TOTAL FUND BALANCES	(13)	6,996	7,387
TOTAL LIABILITIES AND FUND BALANCES	$ 653	$ 7,236	$ 7,446

College Community	College Grove	Crossroads	Gateway Center West	Grantville	Horton Plaza	Linda Vista
$ 21	$ -	$ 236	$ 363	$ 3	$ 7,555	$ 718
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2	-	-	-	-	25	4
-	-	-	-	-	275	-
-	-	-	-	-	-	-
-	30	30	-	-	-	30
-	-	-	165	-	-	1,487
-	-	-	-	-	71	-
$ 23	$ 30	$ 266	$ 528	$ 3	$ 7,926	$ 2,239
$ 552	$ 131	$ 38	$ 6	$ -	$ 40	$ -
-	-	111	18	-	25	-
552	131	149	24	-	65	-
-	-	-	165	-	-	1,487
-	-	-	-	-	-	-
94	2,027	643	258	70	1,893	72
-	30	30	-	-	275	30
-	-	-	2	-	42	4
-	-	-	79	-	5,145	646
(623)	(2,158)	(556)	-	(67)	506	-
(529)	(101)	117	504	3	7,861	2,239
$ 23	$ 30	$ 266	$ 528	$ 3	$ 7,926	$ 2,239

Continued on next page

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
June 30, 2009
(In Thousands)

	Mount Hope	Naval Training Center	North Bay
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 527	$ 661	$ 479
Investments at Fair Value	-	-	-
Receivables:			
Notes and Contracts	-	-	-
Interest	2	4	12
Working Capital Advances:			
Centre City Development Corporation	-	-	-
Southeastern Economic Development Corporation	200	-	-
City of San Diego	-	71	231
Land Held for Resale	446	-	-
Prepaid Items and Deposits	-	-	-
TOTAL ASSETS	$ 1,175	$ 736	$ 722
LIABILITIES			
Accounts Payable	$ 15	$ -	$ 2
Sundry Trust Liabilities	5	-	-
TOTAL LIABILITIES	20	-	2
FUND BALANCES			
Reserved for Land Held for Resale	446	-	-
Reserved for Notes Receivable	-	-	-
Reserved for Encumbrances	145	4,016	2,054
Reserved for Working Capital Advances	200	71	231
Unreserved:			
Reported in Capital Project Funds:			
Designated for Unrealized Gain	2	-	-
Designated for Subsequent Years' Expenditures	277	-	-
Undesignated	85	(3,351)	(1,565)
TOTAL FUND BALANCES	1,155	736	720
TOTAL LIABILITIES AND FUND BALANCES	$ 1,175	$ 736	$ 722

North Park	San Ysidro	Southcrest	Total
$ 1,415	$ 128	$ 6,019	$ 20,846
-	-	2,325	5,751
-	-	-	3,695
5	1	23	90
-	-	-	275
-	-	27	295
-	-	-	623
892	-	203	8,375
-	-	-	71
$ 2,312	$ 129	$ 8,597	$ 40,021
$ 220	$ -	$ 20	$ 1,975
64	74	62	373
284	74	82	2,348
892	-	203	8,375
-	-	-	3,695
739	496	1,574	16,691
-	-	27	1,193
7	-	32	184
990	-	6,675	16,902
(600)	(441)	4	(9,367)
2,028	55	8,515	37,673
$ 2,312	$ 129	$ 8,597	$ 40,021

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
Year Ended June 30, 2009
(In Thousands)

	Barrio Logan	Central Imperial	City Heights
REVENUES			
Investment Income	$ 16	$ 100	$ 173
Rents	-	-	116
Private Sources	60	-	229
City Participation	-	-	163
Other Revenue	-	-	-
TOTAL REVENUES	76	100	681
EXPENDITURES			
Administration	110	1,190	54
Legal	324	138	195
Plans and Surveys	97	578	106
Acquisition Expense	4	-	18
Real Estate/Fixture Purchases	-	-	-
Property Management	6	98	32
Relocation	-	-	152
Rehabilitation	-	-	296
Project Improvements	-	648	1,177
Program Management	-	86	-
City Projects	-	210	830
Other	17	-	-
TOTAL EXPENDITURES	558	2,948	2,860
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(482)	(2,848)	(2,179)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	330	1,469	3,963
Transfers to Other Funds	-	(7)	(312)
Proceeds from Private Loans, Notes and Contracts	-	-	-
Loans from the City of San Diego	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	330	1,462	3,651
NET CHANGE IN FUND BALANCES	(152)	(1,386)	1,472
FUND BALANCES AT JUNE 30, 2008	139	8,382	5,915
FUND BALANCES AT JUNE 30, 2009	$ (13)	$ 6,996	$ 7,387

College Community	College Grove	Crossroads	Gateway Center West	Grantville	Horton Plaza	Linda Vista
$ 2	$ -	$ 3	$ 4	$ 4	$ 281	$ 25
-	-	-	-	-	-	108
-	-	-	-	-	1,961	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,121
2	-	3	4	4	2,242	1,254
301	54	325	106	46	499	91
20	18	51	10	145	26	44
27	1	59	93	34	150	7
-	-	6	-	-	-	-
-	-	-	-	-	-	-
6	1	10	10	1	101	2
-	-	-	-	-	-	-
-	-	-	-	-	161	-
-	-	19	-	-	-	-
-	-	-	9	-	237	-
-	-	1,532	-	542	634	-
-	-	-	-	-	-	-
354	74	2,002	228	768	1,808	144
(352)	(74)	(1,999)	(224)	(764)	434	1,110
192	48	2,012	138	875	1,153	144
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	400	-	-	-
192	48	2,012	538	875	1,153	144
(160)	(26)	13	314	111	1,587	1,254
(369)	(75)	104	190	(108)	6,274	985
$ (529)	$ (101)	$ 117	$ 504	$ 3	$ 7,861	$ 2,239

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
Year Ended June 30, 2009
(In Thousands)

	Mount Hope	Naval Training Center	North Bay
REVENUES			
Investment Income	$ 18	$ 1	$ 91
Rents	-	-	79
Private Sources	-	-	-
City Participation	-	-	-
Other Revenue	-	-	-
TOTAL REVENUES	18	1	170
EXPENDITURES			
Administration	456	92	421
Legal	12	69	63
Plans and Surveys	40	19	125
Acquisition Expense	-	14	24
Real Estate/Fixture Purchases	-	-	-
Property Management	32	26	17
Relocation	-	-	-
Rehabilitation	-	-	-
Project Improvements	42	4,737	318
Program Management	25	-	-
City Projects	84	-	1,708
Other	-	-	-
TOTAL EXPENDITURES	691	4,957	2,676
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(673)	(4,956)	(2,506)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	675	386	2,858
Transfers to Other Funds	-	-	(3,947)
Proceeds from Private Loans, Notes and Contracts	-	4,296	-
Loans from the City of San Diego	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	675	4,682	(1,289)
NET CHANGE IN FUND BALANCES	2	(274)	(3,795)
FUND BALANCES AT JUNE 30, 2008	1,153	1,010	4,515
FUND BALANCES AT JUNE 30, 2009	$ 1,155	$ 736	$ 720

North Park	San Ysidro	Southcrest	Total
$ 62	$ 2	$ 245	$ 1,027
-	-	-	303
-	-	-	2,260
-	-	-	163
282	-	-	1,403
344	2	245	5,146
705	510	578	5,838
150	136	17	1,418
172	225	96	1,829
9	11	-	86
283	-	-	283
187	9	44	582
-	-	-	152
-	-	-	457
-	-	22	6,963
-	-	38	395
-	2,312	300	8,152
-	-	-	17
1,506	3,203	1,065	25,872
(1,162)	(3,201)	(850)	(20,726)
1,032	3,205	571	18,851
-	-	(400)	(4,566)
-	-	-	4,296
-	-	-	400
1,032	3,205	171	18,881
(130)	4	(679)	(1,845)
2,158	51	9,194	39,518
$ 2,028	$ 55	$ 8,515	$ 37,673

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Redevelopment Agency of the
City of San Diego
San Diego, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of San Diego, California (Agency), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the

entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in 2009-1 in the accompanying schedule of current year findings and recommendations and 2003-1 in the accompanying status of prior year findings and recommendations schedule to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2003-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller's Office and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year findings and recommendations as items 2009-a, and 2009-b

The Agency's response to the findings identified in our audit are described in the accompanying schedules of current year findings and recommendations and status of prior year findings and recommendations. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management of the Agency, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants

San Diego, California
December 23, 2009

Financial Statements Findings:

2009-1 Documentation Retention for Property Held for Resale

During the performance of our testwork on the Agency's controls over additions of property held for resale for the year ended June 30, 2009, we noted that for one (1) sample out of four (4) transactions selected, the Agency could not provide the supporting documents to verify reasonableness of the addition amount. The property was originally acquired as a capital asset prior to 1980, reported in the Agency financial statements as land, and transferred to property held for resale during fiscal year 2009.

We recommend that the Agency establish procedures and internal controls over documentation retention not only for recent transactions but also historical transactions where the item still exists in the Agency's financial statements.

Management Response:

We agree. All additions since fiscal year 2003 have been properly documented and the supporting transactions have been added to the land held for resale and capital assets permanent folders. It is the Comptroller's Office policy, and has been since fiscal year 2003, to permanently retain the supporting documentation until five years after the property's disposition. The property described above was purchased prior to 1980. Due to the number of years since the purchase of the property, procurement records have been discarded pursuant to the City's document retention policies. Efforts were made to support the value of the property including an appraisal by the Real Estate Assets Department which valued the property above its book value. Additionally, permanent records retained by the project area's manager were searched and County records were requested without success.

Compliance Findings:

2009-a Continuing Annual Disclosure Requirements

During the performance of our procedures over continual annual disclosure requirements, we noted that the Agency did not submit one out of the thirty-five required Annual Reports for fiscal year 2008 to the National Recognized Municipal Securities Repository Agencies within the required time frame (270 days after the fiscal year-end).

We recommend that the Agency establish procedures to ensure that all reports are submitted in a timely manner to avoid noncompliance with the continuing disclosure requirements stated with their bond issuances/debt covenants.

Management Response

We agree. The continuing disclosures were not filed as a result of turnovers of the management personnel responsible for making these filings. The Agency did file a "Failure to File" on the date that the continuing disclosure was required to be filed. An internal control annual requirements calendar has been put into place to prevent this from recurring. The delinquent continuing disclosures will be filed prior to the next filing date in 2010.

2009-b Inappropriate Open Encumbrance

California Government Code §33334.12(g)(2)states *Moneys shall be deemed encumbered if committed pursuant to a legally enforceable contract or agreement for expenditure for purposes specified in Section 33334.2 or 33334.3.*

During the performance of our testwork, we noted that out of a sample of twenty four (24) open encumbrance transactions selected for testing, one (1) of the encumbrances selected was included as an open encumbrance as of June 30, 2009, that should not have been. The open encumbrance related to a third party contract. The contract amount was certified and encumbered by the City's Comptroller's Office; however, the Agency Board of Directors never approved the execution of the contract.

We recommend that the Agency establish strong internal controls to review and reconcile open encumbrances periodically with the approved Comptroller's Certificate and to detect and delete encumbrances, which should not exist in the financial records. Additionally, the Agency should develop a system to automate the encumbrance process related to purchase orders.

Management Response:

We agree. A year-end process is currently in place to ensure that all open encumbrances are valid and active. The Office of the Comptroller provides a list of encumbrances to the Agency. The encumbrances are then reviewed by Agency staff. Any required adjustment is communicated to Office of the Comptroller accounting staff, who make the necessary adjustments in the financial system. The encumbrance cited above was not identified by Agency staff during the review process. The Agency will strengthen internal controls over the review of encumbrances to ensure only authorized and active encumbrances remain open. Additionally, the Agency will explore the automation of the encumbrance process through the OneSD system.

Findings related to the financial statements:

Reference Number:	**2003-1**
Financial Statement Area:	*Material Weakness in Internal Controls over Financial Reporting*
Audit Finding:	There were several internal control deficiencies that resulted in numerous errors and restatements of previously issued financial statements. Some of the deficiencies noted were as follows: • Improper financial statement presentation of debt transactions • Failure to properly record certain loan transactions • Failure to transfer completed projects out of CIP and begin depreciating assets • Improper classification of assets • Improper valuations of land held for resale • Incomplete capture of capitalizable expenditures • Failure to recognize certain revenues that met applicable revenue recognition criteria.
Status of Corrective Action:	In progress. However, prior to the issuance of this report several modifications to the Agency's financial reporting process and control environment have been made. These modifications include the hiring of new management to oversee financial reporting and internal controls, and the implementation of revised policies, procedures and training for employees. Additionally, the implementation of OneSD will dramatically change and improve the year-end process; however, the preparation of the Fiscal year 2009 Annual Financial Report was completed using the City's current accounting systems. Also improving controls for 2009, the City began implementing the Governance Risk Compliance (GRC) module of SAP, which will assist in documenting, monitoring and testing internal controls within SAP, including internal controls over the preparation of the Agency's financial statements. Also improving controls implemented in the prior year is a new year-end processing flowchart that has been developed. It identifies tasks necessary to complete the annual financial report by the Redevelopment Accounting Section; identified items contingent on information from other sections within the Comptroller's Office and other departments within the City. Use of the flowchart along with the year-end closing

calendar already in use allows management to more effectively monitor progress toward completion of the annual financial report and ensure critical components are not omitted.

Notwithstanding the improvements made prior to the issuance of this report management agrees further improvement is necessary and remains committed to continuing to strengthen its internal controls and procedures over financial reporting.

Findings related to compliance:

Reference Number:	**2008-a, 2007-a, 2006-a, 2005-a, 2004-b & 2003-b**
Compliance Area:	*Annual Report Submission to the City Council*
Audit Finding:	The Agency did not prepare and submit a complete annual report for the fiscal year ended June 30, 2008, to the Board of Directors within six months of the end of the respective fiscal years, as required by the California Health and Safety Code section 33080.1. This was not done due to a lack of personnel and an incomplete audit of the Agency's financial statements.
Status of Corrective Action:	Corrected. The Agency prepared and will submit a complete annual report for the fiscal year ended June 30, 2009, to the Board of Directors by the end of December 31, 2009.

Reference Number:	**2007-c**
Compliance Area:	*Monitoring Reports*
Audit Finding:	In accordance with California Health & Safety Code §33418, the Agency is required to obtain an annual report from property owners or managers of such housing. During the performance of our testing over the Agency's monitoring of affordable housing, we noted that four (4) out of twenty (20) samples selected for testing did not receive an annual report.
Status of Corrective Action:	Corrected. The Agency has implemented the corrective action and received an annual report during fiscal year 2009 within adequate time period.

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Supplemental Information Section

(Unaudited)

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Schedule of Changes to Loans from the City of San Diego

SCHEDULE OF CHANGES TO LOANS FROM THE CITY OF SAN DIEGO
Year Ended June 30, 2009

CHANGES IN PRINCIPAL DUE TO CITY BY PROJECT AREA

	Balance July 1, 2008	Additions	Repayments	Balance June 30, 2009
Barrio Logan	$ 12,826	$ -	$ -	$ 12,826
Central Imperial	18,916		-	18,916
Centre City	43,185		-	43,185
City Heights	9,085	-	523	8,562
College Community	722	-	-	722
College Grove	41	-	-	41
Crossroads	793	-	-	793
Gateway Center West	6,130	400	-	6,530
Grantville	507	-	-	507
Linda Vista	1,945	-	-	1,945
Mount Hope	3,918	-	-	3,918
Naval Training Center	7,134	-	213	6,921
North Bay	1,735	-	-	1,735
North Park	1,688	-	-	1,688
San Ysidro	739	-	-	739
Southcrest	9,620	-	181	9,439
Total Principal Due	$ 118,984	$ 400	$ 917	$ 118,467

CHANGES IN INTEREST DUE TO CITY BY PROJECT AREA

	Balance July 1, 2008	Additions	Repayments	Balance June 30, 2009
Barrio Logan	$ 13,014	$ 1,186	$ -	$ 14,200
Central Imperial	13,177	1,750	-	14,927
Centre City	73,103	3,994		77,097
City Heights	6,900	771	310	7,361
College Community	856	67	-	923
College Grove	29	4	-	33
Crossroads	320	73	-	393
Gateway Center West	13,979	567	-	14,546
Grantville	142	47	-	189
Linda Vista	4,350	180	-	4,530
Mount Hope	1,302	362	-	1,664
Naval Training Center	834	434	296	972
North Bay	516	160	-	676
North Park	1,150	156	-	1,306
San Ysidro	892	72	-	964
Southcrest	9,683	886	219	10,350
Total Interest Due	$ 140,247	$ 10,709	$ 825	$ 150,131

Assessed Valuations

BARRIO LOGAN REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1996-97 TO 2008-09 (BASE YEAR 1991-92)
(UNAUDITED)

	Base Year 1991-92	Revised Base Year 1991-92	1996-97
GROSS			
Secured - Locally Assessed	$ 32,772	$ 37,330	$ 41,539
Public Utilities - State Assessed	2,829	2,608	236
Total Secured Valuation	35,601	39,938	41,775
Unsecured - Locally Assessed	4,710	4,692	2,583
Total Gross Valuation	40,311	44,630	44,358
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	3,664	3,664	7,746
Unsecured - Locally Assessed	-	-	-
Total Exemptions	3,664	3,664	7,746
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	29,108	33,666	33,793
Public Utilities - State Assessed	2,829	2,608	236
Net Secured	31,937	36,274	34,029
Unsecured - Locally Assessed	4,710	4,692	2,583
NET ASSESSED VALUATION FOR TAX RATE	$ 36,647	$ 40,966	$ 36,612
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year			(4,354)
Percentage Increase (Decrease) Over Base Year			-10.63%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 217	$ 217	$ 217
Unsecured - Locally Assessed	-	-	-
Total Homeowners' Exemptions	217	217	217
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	28,891	33,449	33,576
Public Utilities - State Assessed	2,829	2,608	236
Net Secured	31,720	36,057	33,812
Unsecured - Locally Assessed	4,710	4,692	2,583
NET ASSESSED VALUATION	$ 36,430	$ 40,749	$ 36,395

Revised Base Year 1991-92	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
$ 37,013	$ 42,711	$ 43,675	$ 45,664	$ 46,178	$ 49,720	$ 51,543	$ 56,030
2,608	260	378	411	420	429	386	334
39,621	42,971	44,053	46,075	46,598	50,149	51,929	56,364
4,692	2,630	3,924	5,826	5,889	6,848	3,561	5,414
44,313	45,601	47,977	52,001	52,487	57,097	55,490	61,778
3,664	7,996	8,216	8,634	8,356	8,601	7,621	7,834
-	-	713	1,048	1,233	2,362	-	1,441
3,664	7,996	8,929	9,682	9,589	10,863	7,621	9,275
33,349	34,715	35,459	37,030	37,822	41,219	43,922	48,196
2,608	260	378	411	420	429	386	334
35,957	34,975	35,837	37,441	38,242	41,648	44,308	48,530
4,692	2,630	3,211	4,878	4,656	4,586	3,561	3,973
$ 40,649	$ 37,605	$ 39,048	$ 42,319	$ 42,898	$ 46,234	$ 47,869	$ 52,503
	(3,044)	(1,601)	1,670	2,249	5,585	7,220	11,854
	-7.49%	-3.94%	4.11%	5.53%	13.74%	17.76%	29.16%
$ 217	$ 224	$ 224	$ 217	$ 217	$ 217	$ 189	$ 175
-	-	-	-	-	-	-	-
217	224	224	217	217	217	189	175
33,132	34,491	35,235	36,813	37,605	41,002	43,733	48,021
2,608	260	378	411	420	429	386	334
35,740	34,751	35,613	37,224	38,025	41,431	44,119	48,355
4,692	2,630	3,211	4,878	4,656	4,586	3,561	3,973
$ 40,432	$ 37,381	$ 38,824	$ 42,102	$ 42,681	$ 46,017	$ 47,680	$ 52,328

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BARRIO LOGAN REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1996-97 TO 2008-09 (BASE YEAR 1991-92)

	2004-05	2005-06	2006-07
GROSS			
Secured - Locally Assessed	$ 74,368	$ 82,783	$ 90,043
Public Utilities - State Assessed	318	324	303
Total Secured Valuation	74,686	83,107	90,346
Unsecured - Locally Assessed	4,877	5,452	5,813
Total Gross Valuation	79,563	88,559	96,159
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	12,410	12,658	12,911
Unsecured - Locally Assessed	1,184	1,279	1,097
Total Exemptions	13,594	13,937	14,008
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	61,958	70,125	77,132
Public Utilities - State Assessed	318	324	303
Net Secured	62,276	70,449	77,435
Unsecured - Locally Assessed	3,693	4,173	4,716
NET ASSESSED VALUATION FOR TAX RATE	$ 65,969	$ 74,622	$ 82,151
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	25,320	33,973	41,502
Percentage Increase (Decrease) Over Base Year	62.29%	83.56%	102.10%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 175	$ 168	$ 175
Unsecured - Locally Assessed	-	-	-
Total Homeowners' Exemptions	175	168	175
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	61,783	69,957	76,957
Public Utilities - State Assessed	318	324	303
Net Secured	62,101	70,281	77,260
Unsecured - Locally Assessed	3,693	4,173	4,716
NET ASSESSED VALUATION	$ 65,794	$ 74,454	$ 81,976

2007-08	Revised Base Year 1991-92	2008-09
$ 112,516	$ 37,013	$ 131,869
611	756	-
113,127	37,769	131,869
5,417	4,692	5,300
118,544	42,461	137,169
14,068	3,664	28,962
980	-	933
15,048	3,664	29,895
98,428	33,349	102,907
611	756	-
99,039	34,105	102,907
4,457	4,692	4,367
$ 103,496	$ 38,797	$ 107,274
62,847		68,477
154.61%		176.50%
$ 147	$ 217	$ 154
-	-	-
147	217	154
98,281	33,132	102,753
611	756	-
98,892	33,888	102,753
4,457	4,692	4,367
$ 103,349	$ 38,580	$ 107,120

CENTRAL IMPERIAL REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1995-96 TO 2008-09 (BASE YEAR 1992-93)
(UNAUDITED)

	Base Year 1992-93	1994-95	1995-96
GROSS			
Secured - Locally Assessed	$ 94,838	$ 96,903	$ 97,584
Public Utilities - State Assessed	-	-	-
Total Secured Valuation	94,838	96,903	97,584
Unsecured - Locally Assessed	2,692	2,868	1,431
Total Gross Valuation	97,530	99,771	99,015
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	6,693	12,981	16,244
Unsecured - Locally Assessed	-	115	137
Total Exemptions	6,693	13,096	16,381
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	88,145	83,922	81,340
Public Utilities - State Assessed	-	-	-
Net Secured	88,145	83,922	81,340
Unsecured - Locally Assessed	2,692	2,753	1,294
NET ASSESSED VALUATION FOR TAX RATE	$ 90,837	$ 86,675	$ 82,634
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		(4,162)	(8,203)
Percentage Increase (Decrease) Over Base Year		-4.58%	-9.03%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 1,033	$ 1,039	$ 1,219
Unsecured - Locally Assessed	-	-	-
Total Homeowners' Exemptions	1,033	1,039	1,219
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	87,112	82,883	80,121
Public Utilities - State Assessed	-	-	-
Net Secured	87,112	82,883	80,121
Unsecured - Locally Assessed	2,692	2,753	1,294
NET ASSESSED VALUATION	$ 89,804	$ 85,636	$ 81,415

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

1996-97	1997-98	Revised Base Year 1992-93	1998-99	1999-2000	2000-01	2001-02
$ 96,170	$ 97,516	$ 67,688	$ 83,275	$ 88,975	$ 102,297	$ 114,448
-	-	-	-	-	-	-
96,170	97,516	67,688	83,275	88,975	102,297	114,448
1,857	1,558	2,693	1,738	1,997	2,240	3,412
98,027	99,074	70,381	85,013	90,972	104,537	117,860
15,218	15,202	6,693	14,133	10,006	16,120	14,351
86	-	-	16	187	76	462
15,304	15,202	6,693	14,149	10,193	16,196	14,813
80,952	82,314	60,995	69,142	78,969	86,177	100,097
-	-	-	-	-	-	-
80,952	82,314	60,995	69,142	78,969	86,177	100,097
1,771	1,558	2,693	1,722	1,810	2,164	2,950
$ 82,723	$ 83,872	$ 63,688	$ 70,864	$ 80,779	$ 88,341	$ 103,047
(8,114)	(6,965)		7,176	17,091	24,653	39,359
-8.93%	-7.67%		11.27%	26.84%	38.71%	61.80%
$ 1,347	$ 1,416	$ 1,033	$ 1,447	$ 1,541	$ 1,636	$ 1,944
-	-	-	-	-	-	-
1,347	1,416	1,033	1,447	1,541	1,636	1,944
79,605	80,898	59,962	67,695	77,428	84,541	98,153
-	-	-	-	-	-	-
79,605	80,898	59,962	67,695	77,428	84,541	98,153
1,771	1,558	2,693	1,722	1,810	2,164	2,950
$ 81,376	$ 82,456	$ 62,655	$ 69,417	$ 79,238	$ 86,705	$ 101,103

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CENTRAL IMPERIAL REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1995-96 TO 2008-09 (BASE YEAR 1992-93)
(UNAUDITED)

	2002-03	2003-04	2004-05
GROSS			
Secured - Locally Assessed	$ 123,326	$ 137,669	$ 160,513
Public Utilities - State Assessed	-	-	-
Total Secured Valuation	123,326	137,669	160,513
Unsecured - Locally Assessed	3,261	5,195	4,753
Total Gross Valuation	126,587	142,864	165,266
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	14,936	18,287	19,393
Unsecured - Locally Assessed	5	290	391
Total Exemptions	14,941	18,577	19,784
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	108,390	121,382	141,120
Public Utilities - State Assessed	-	-	-
Net Secured	108,390	121,382	141,120
Unsecured - Locally Assessed	3,256	4,905	4,362
NET ASSESSED VALUATION FOR TAX RATE	$ 111,646	$ 126,287	$ 145,482
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	47,958	62,599	81,794
Percentage Increase (Decrease) Over Base Year	75.30%	98.29%	128.43%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 1,946	$ 1,994	$ 2,020
Unsecured - Locally Assessed	-	-	-
Total Homeowners' Exemptions	1,946	1,994	2,020
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	106,444	119,388	139,100
Public Utilities - State Assessed	-	-	-
Net Secured	106,444	119,388	139,100
Unsecured - Locally Assessed	3,256	4,905	4,362
NET ASSESSED VALUATION	$ 109,700	$ 124,293	$ 143,462

2006-06	2006-07	2007-08	2007-08	2008-09
$ 191,238	$ 210,835	$ 236,931	$ 236,931	$ 251,537
-	-	-	-	-
191,238	210,835	236,931	236,931	251,537
5,741	6,750	5,603	5,603	6,847
196,979	217,585	242,534	242,534	258,384
22,212	21,344	24,647	24,647	23,983
416	418	223	223	260
22,628	21,762	24,870	24,870	24,243
169,026	189,491	212,284	212,284	227,554
-	-	-	-	-
169,026	189,491	212,284	212,284	227,554
5,325	6,332	5,380	5,380	6,587
$ 174,351	$ 195,823	$ 217,664	$ 217,664	$ 234,141
110,663	132,135	153,976	153,976	170,453
173.76%	207.47%	241.77%	241.77%	267.64%
$ 2,148	$ 2,072	$ 2,212	$ 2,212	$ 2,205
-	-	-	-	-
2,148	2,072	2,212	2,212	2,205
166,878	187,419	210,072	210,072	225,349
-	-	-	-	-
166,878	187,419	210,072	210,072	225,349
5,325	6,332	5,380	5,380	6,587
$ 172,203	$ 193,751	$ 215,452	$ 215,452	$ 231,936

CENTRAL IMPERIAL REDEVELOPMENT PROJECT - EXPANSION 2
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1999-2000 TO 2008-09 (BASE YEAR 1999-2000)
(UNAUDITED)

	Base Year 1999-2000	1999-2000	2000-01
GROSS			
Secured - Locally Assessed	$ 16,115	$ 16,080	$ 17,367
Public Utilities - State Assessed	-	-	-
Total Secured Valuation	16,115	16,080	17,367
Unsecured - Locally Assessed	27	172	148
Total Gross Valuation	16,142	16,252	17,515
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	1,105	1,192	1,214
Unsecured - Locally Assessed	-	145	129
Total Exemptions	1,105	1,337	1,343
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	15,010	14,888	16,153
Public Utilities - State Assessed	-	-	-
Net Secured	15,010	14,888	16,153
Unsecured - Locally Assessed	27	27	19
NET ASSESSED VALUATION FOR TAX RATE	$ 15,037	$ 14,915	$ 16,172
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		(122)	1,135
Percentage Increase (Decrease) Over Base Year		-0.81%	7.55%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 721	$ 721	$ 714
Unsecured - Locally Assessed	-	-	-
Total Homeowners' Exemptions	721	721	714
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	14,289	14,167	15,439
Public Utilities - State Assessed	-	-	-
Net Secured	14,289	14,167	15,439
Unsecured - Locally Assessed	27	27	19
NET ASSESSED VALUATION	$ 14,316	$ 14,194	$ 15,458

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
$ 18,508	$ 32,461	$ 37,450	$ 51,100	$ 62,540	$ 65,967	$ 65,926	$ 69,083
-	-	-	-	-	-	-	-
18,508	32,461	37,450	51,100	62,540	65,967	65,926	69,083
247	1,399	2,340	2,532	3,715	4,347	4,353	3,868
18,755	33,860	39,790	53,632	66,255	70,314	70,279	72,951
1,234	1,156	1,180	1,201	1,226	1,250	1,275	1,301
229	-	184	166	159	-	134	122
1,463	1,156	1,364	1,367	1,385	1,250	1,409	1,423
17,274	31,305	36,270	49,899	61,314	64,717	64,651	67,792
-	-	-	-	-	-	-	-
17,274	31,305	36,270	49,899	61,314	64,717	64,651	67,792
18	1,399	2,156	2,366	3,656	4,347	4,219	3,746
$ 17,292	$ 32,704	$ 38,426	$ 52,265	$ 64,970	$ 69,064	$ 68,870	$ 71,538
2,255	17,867	23,389	37,228	49,833	54,027	53,833	56,491
15.00%	117.49%	155.54%	247.56%	331.40%	359.29%	358.00%	375.68%
$ 742	$ 805	$ 826	$ 819	$ 840	$ 846	$ 853	$ 819
-	-	-	-	-	-	-	-
742	805	826	819	840	846	853	819
16,532	30,500	35,444	49,080	60,474	63,871	63,798	66,963
-	-	-	-	-	-	-	-
16,532	30,500	35,444	49,080	60,474	63,871	63,798	66,963
18	1,399	2,156	2,366	3,656	4,347	4,219	3,746
$ 16,550	$ 31,899	$ 37,600	$ 51,446	$ 64,030	$ 68,218	$ 68,017	$ 70,709

CENTRAL IMPERIAL REDEVELOPMENT PROJECT - EXPANSION 3
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 2001-02 TO 2008-09 (BASE YEAR 2001-02)
(UNAUDITED)

	Base Year 2001-02	2001-02	2002-03
GROSS			
Secured - Locally Assessed	$ 3,215	$ 10,279	$ 14,131
Total Secured Valuation	3,215	10,279	14,131
Unsecured - Locally Assessed	-	-	2,022
Total Gross Valuation	3,215	10,279	16,153
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	3,215	10,279	14,131
Net Secured	3,215	10,279	14,131
Unsecured - Locally Assessed	-	-	2,022
NET ASSESSED VALUATION FOR TAX RATE	$ 3,215	$ 10,279	$ 16,153
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		7,064	12,938
Percentage Increase (Decrease) Over Base Year		219.72%	402.43%
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	3,215	10,279	14,131
Net Secured	3,215	10,279	14,131
Unsecured - Locally Assessed	-	-	2,022
NET ASSESSED VALUATION	$ 3,215	$ 10,279	$ 16,153

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
$ 14,793	$ 17,357	$ 18,491	$ 19,303	$ 19,689	$ 25,783
14,793	17,357	18,491	19,303	19,689	25,783
1,982	1,835	1,826	2,266	2,161	2,251
16,775	19,192	20,317	21,569	21,850	28,034
14,793	17,357	18,491	19,303	19,689	25,783
14,793	17,357	18,491	19,303	19,689	25,783
1,982	1,835	1,826	2,266	2,161	2,251
$ 16,775	$ 19,192	$ 20,317	$ 21,569	$ 21,850	$ 28,034
13,560	15,977	17,102	18,354	18,635	24,819
421.77%	496.95%	531.94%	570.69%	579.63%	771.98%
14,793	17,357	18,491	19,303	19,689	25,783
14,793	17,357	18,491	19,303	19,689	25,783
1,982	1,835	1,826	2,266	2,161	2,251
$ 16,775	$ 19,192	$ 20,317	$ 21,569	$ 21,850	$ 28,034

CENTRE CITY REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1995-96 TO 2008-09 (BASE YEAR 1992-93)
(UNAUDITED)

	Base Year 1992-93	1994-95	1995-96
GROSS			
Secured - Locally Assessed	$ 1,090,174	$ 972,637	$ 927,021
Public Utilities - State Assessed	3,465	1,862	2,181
Total Secured Valuation	1,093,639	974,499	929,202
Unsecured - Locally Assessed	64,243	17,922	22,293
Total Gross Valuation	1,157,882	992,421	951,495
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	62,189	78,849	78,614
Unsecured - Locally Assessed	-	413	552
Total Exemptions	62,189	79,262	79,166
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	1,027,985	893,788	848,407
Public Utilities - State Assessed	3,465	1,862	2,181
Net Secured	1,031,450	895,650	850,588
Unsecured - Locally Assessed	64,243	17,509	21,741
NET ASSESSED VALUATION FOR TAX RATE	$ 1,095,693	$ 913,159	$ 872,329
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		(182,534)	(223,364)
Percentage Increase (Decrease) Over Base Year		-16.66%	-20.39%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 714	$ 805	$ 812
Unsecured - Locally Assessed	-	-	-
Total Homeowners' Exemptions	714	805	812
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	1,027,271	892,983	847,595
Public Utilities - State Assessed	3,465	1,862	2,181
Net Secured	1,030,736	894,845	849,776
Unsecured - Locally Assessed	64,243	17,509	21,741
NET ASSESSED VALUATION	$ 1,094,979	$ 912,354	$ 871,517

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

1996-97	Revised Base Year 1992-93	1997-98	1998-99	1999-2000	2000-01	2001-02
$ 906,105	$ 1,089,721	$ 917,921	$ 984,645	$ 1,125,712	$ 1,290,546	$ 1,467,297
2,521	3,464	2,747	3,855	4,094	4,177	-
908,626	1,092,185	920,668	988,500	1,129,806	1,294,723	1,467,297
17,593	64,244	20,602	56,892	74,362	87,258	93,294
926,219	1,156,429	941,270	1,045,392	1,204,168	1,381,981	1,560,591
87,884	62,019	90,800	87,662	94,089	104,469	100,954
97	-	987	4,637	6,129	6,919	9,403
87,981	62,019	91,787	92,299	100,218	111,388	110,357
818,221	1,026,702	827,121	896,983	1,031,623	1,186,077	1,366,343
2,521	3,464	2,747	3,855	4,094	4,177	-
820,742	1,030,166	829,868	900,838	1,035,717	1,190,254	1,366,343
17,496	64,244	19,615	52,255	68,233	80,339	83,891
$ 838,238	$ 1,094,410	$ 849,483	$ 953,093	$ 1,103,950	$ 1,270,593	$ 1,450,234
(257,455)		(244,927)	(141,317)	9,540	176,183	355,824
-23.50%		-22.38%	-12.91%	0.87%	16.10%	32.51%
$ 902	$ 714	$ 980	$ 1,077	$ 1,182	$ 1,133	$ 1,182
-	-	-	-	-	61	67
902	714	980	1,077	1,182	1,194	1,249
817,319	1,025,988	826,141	895,906	1,030,441	1,184,944	1,365,161
2,521	3,464	2,747	3,855	4,094	4,177	-
819,840	1,029,452	828,888	899,761	1,034,535	1,189,121	1,365,161
17,496	64,244	19,615	52,255	68,233	80,278	83,824
$ 837,336	$ 1,093,696	$ 848,503	$ 952,016	$ 1,102,768	$ 1,269,399	$ 1,448,985

Continued on next page

CENTRE CITY REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1995-96 TO 2008-09 (BASE YEAR 1992-93)

	2002-03	2003-04	2004-05
GROSS			
Secured - Locally Assessed	$ 1,679,241	$ 2,082,010	$ 2,668,045
Public Utilities - State Assessed	3,856	4,894	6,958
Total Secured Valuation	1,683,097	2,086,904	2,675,003
Unsecured - Locally Assessed	99,582	130,423	112,963
Total Gross Valuation	1,782,679	2,217,327	2,787,966
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	104,775	106,992	133,719
Unsecured - Locally Assessed	1,074	7,810	8,997
Total Exemptions	105,849	114,802	142,716
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	1,574,466	1,975,018	2,534,326
Public Utilities - State Assessed	3,856	4,894	6,958
Net Secured	1,578,322	1,979,912	2,541,284
Unsecured - Locally Assessed	98,508	122,613	103,966
NET ASSESSED VALUATION FOR TAX RATE	$ 1,676,830	$ 2,102,525	$ 2,645,250
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	582,420	1,008,115	1,550,840
Percentage Increase (Decrease) Over Base Year	53.22%	92.11%	141.71%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 1,239	$ 2,680	$ 3,670
Unsecured - Locally Assessed	112	114	110
Total Homeowners' Exemptions	1,351	2,794	3,780
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	1,573,227	1,972,338	2,530,656
Public Utilities - State Assessed	3,856	4,894	6,958
Net Secured	1,577,083	1,977,232	2,537,614
Unsecured - Locally Assessed	98,396	122,499	103,856
NET ASSESSED VALUATION	$ 1,675,479	$ 2,099,731	$ 2,641,470

2005-06	2006-07	2007-08	2008-09
$ 3,806,788	$ 4,930,925	$ 6,204,556	$ 7,140,537
7,017	6,824	2,442	2,701
3,813,805	4,937,749	6,207,008	7,143,238
147,482	262,705	196,717	215,439
3,961,287	5,200,454	6,403,725	7,358,677
162,778	171,166	172,798	172,615
9,460	10,706	15,504	16,957
172,238	181,872	188,302	189,572
3,644,010	4,759,759	6,031,766	6,967,922
7,017	6,824	2,442	2,701
3,651,027	4,766,583	6,034,210	6,970,623
138,022	271,999	181,213	198,482
$ 3,789,049	$ 5,038,582	$ 6,215,423	$ 7,169,105
2,694,639	3,944,172	5,121,013	6,074,695
246.22%	360.39%	467.92%	555.07%
$ 6,887	$ 10,154	$ 11,654	$ 13,643
95	81	82	108
6,982	10,235	11,736	13,751
3,637,123	4,749,605	6,020,114	6,954,279
7,017	6,824	2,442	2,701
3,644,140	4,756,429	6,022,556	6,956,980
137,927	271,918	181,131	198,374
$ 3,782,067	$ 5,028,347	$ 6,203,687	$ 7,155,354

CENTRE CITY REDEVELOPMENT PROJECT - COLUMBIA SUB AREA
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1995-96 TO 2008-09 (BASE YEAR 1976-77)
(UNAUDITED)

	Base Year 1976-77	1995-96	1996-97
GROSS			
Secured - Locally Assessed	$ 19,715	$ 454,634	$ 431,513
Public Utilities - State Assessed	17,131	1,550	1,473
Total Secured Valuation	36,846	456,184	432,986
Unsecured - Locally Assessed	18,870	57,303	53,503
Total Gross Valuation	55,716	513,487	486,489
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	1,507	3,521	3,558
Unsecured - Locally Assessed	-	157	22
Total Exemptions	1,507	3,678	3,580
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	18,208	451,113	427,955
Public Utilities - State Assessed	17,131	1,550	1,473
Net Secured	35,339	452,663	429,428
Unsecured - Locally Assessed	18,870	57,146	53,481
NET ASSESSED VALUATION FOR TAX RATE	$ 54,209	$ 509,809	$ 482,909
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		455,600	428,700
Percentage Increase (Decrease) Over Base Year		840.45%	790.83%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ -	$ 839	$ 802
Unsecured - Locally Assessed	-	-	
Total Homeowners' Exemptions	-	839	802
BUSINESS INVENTORY EXEMPTIONS			
Secured - Locally Assessed	178	-	-
Unsecured - Locally Assessed	1,602	-	-
Total Business Inventory Exemptions	1,780	-	-
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	18,030	450,274	427,153
Public Utilities - State Assessed	17,131	1,550	1,473
Net Secured	35,161	451,824	428,626
Unsecured - Locally Assessed	17,268	57,146	53,481
NET ASSESSED VALUATION	$ 52,429	$ 508,970	$ 482,107

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

Revised Base Year 1976-77	1997-98	Revised Base Year 1976-77	1998-99	1999-2000	2000-01	2001-02
$ 18,554	$ 437,849	$ 18,553	$ 519,344	$ 563,347	$ 602,524	$ 643,416
17,131	1,518	1,038	1,742	1,906	1,923	-
35,685	439,367	19,591	521,086	565,253	604,447	643,416
18,870	57,458	18,870	47,267	52,096	57,950	61,602
54,555	496,825	38,461	568,353	617,349	662,397	705,018
1,507	1,993	1,507	387	2,191	2,229	2,051
-	253	-	281	401	531	593
1,507	2,246	1,507	668	2,592	2,760	2,644
17,047	435,856	17,046	518,957	561,156	600,295	641,365
17,131	1,518	1,038	1,742	1,906	1,923	-
34,178	437,374	18,084	520,699	563,062	602,218	641,365
18,870	57,205	18,870	46,986	51,695	57,419	61,009
$ 53,048	$ 494,579	$ 36,954	$ 567,685	$ 614,757	$ 659,637	$ 702,374
	441,531		530,731	577,803	622,683	665,420
	832.32%		1436.19%	1563.57%	1685.02%	1800.67%
$ -	$ 860	$ -	$ 868	$ 927	$ 956	$ 987
-	-	-	-	-	-	-
-	860	-	868	927	956	987
178	-	178	-	-	-	-
1,602	-	1,602	-	-	-	-
1,780	-	1,780	-	-	-	-
16,869	434,996	16,868	518,089	560,229	599,329	640,378
17,131	1,518	1,038	1,742	1,906	1,923	-
34,000	436,514	17,906	519,831	562,135	601,252	640,378
17,268	57,205	17,268	46,986	51,695	57,419	61,009
$ 51,268	$ 493,719	$ 35,174	$ 566,817	$ 613,830	$ 658,671	$ 701,387

Continued on next page

CENTRE CITY REDEVELOPMENT PROJECT - COLUMBIA SUB AREA
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1995-96 TO 2003-09 (BASE YEAR 1976-77)
(UNAUDITED)

	2002-03	2003-04	Revised Base Year 1976-77
GROSS			
Secured - Locally Assessed	$ 718,080	$ 940,867	$ 18,553
Public Utilities - State Assessed	1,858	1,758	1,038
Total Secured Valuation	719,938	942,625	19,591
Unsecured - Locally Assessed	67,298	72,711	18,870
Total Gross Valuation	787,236	1,015,336	38,461
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	2,122	2,163	1,507
Unsecured - Locally Assessed	-	653	-
Total Exemptions	2,122	2,816	1,507
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	715,958	938,704	17,046
Public Utilities - State Assessed	1,858	1,758	1,038
Net Secured	717,816	940,462	18,084
Unsecured - Locally Assessed	67,298	72,058	18,870
NET ASSESSED VALUATION FOR TAX RATE	$ 785,114	$ 1,012,520	$ 36,954
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	748,160	975,566	
Percentage Increase (Decrease) Over Base Year	2024.57%	2639.95%	
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 930	$ 980	$ -
Unsecured - Locally Assessed	-	-	-
Total Homeowners' Exemptions	930	980	-
BUSINESS INVENTORY EXEMPTIONS			
Secured - Locally Assessed	-	-	-
Unsecured - Locally Assessed	-	-	-
Total Business Inventory Exemptions	-	-	-
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	715,028	937,724	17,046
Public Utilities - State Assessed	1,858	1,758	1,038
Net Secured	716,886	939,482	18,084
Unsecured - Locally Assessed	67,298	72,058	18,870
NET ASSESSED VALUATION	$ 784,184	$ 1,011,540	$ 36,954

2004-05	2005-06	2006-07	2007-08	Revised Base Year 1976-77	2008-09
$ 1,176,861	$ 1,508,713	$ 1,889,356	$ 2,479,273	$ 18,553	$ 2,589,848
602	614	575	-	810	-
1,177,463	1,509,327	1,889,931	2,479,273	19,363	2,589,848
58,706	62,612	77,526	67,632	18,870	70,553
1,236,169	1,571,939	1,967,457	2,546,905	38,233	2,660,401
312	10,878	11,665	23,624	1,507	24,098
795	966	468	683	-	563
1,107	11,844	12,133	24,307	1,507	24,661
1,176,549	1,497,835	1,877,691	2,455,649	17,046	2,565,750
602	614	575	-	810	-
1,177,151	1,498,449	1,878,266	2,455,649	17,856	2,565,750
57,911	61,646	77,058	66,949	18,870	69,990
$ 1,235,062	$ 1,560,095	$ 1,955,324	$ 2,522,598	$ 36,726	$ 2,635,740
1,198,108	1,523,141	1,918,370	2,485,644		2,599,014
3242.16%	4121.72%	5191.24%	6726.32%		7076.77%
$ 2,065	$ 2,747	$ 3,157	$ 3,170	$ -	$ 3,066
-	-	-	-	-	-
2,065	2,747	3,157	3,170	-	3,066
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,174,484	1,495,088	1,874,534	2,452,479	17,046	2,562,684
602	614	575	-	810	-
1,175,086	1,495,702	1,875,109	2,452,479	17,856	2,562,684
57,911	61,646	77,058	66,949	18,870	69,990
$ 1,232,997	$ 1,557,348	$ 1,952,167	$ 2,519,428	$ 36,726	$ 2,632,674

CENTRE CITY REDEVELOPMENT PROJECT - GASLAMP SUB AREA
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1994-95 TO 2008-09 (BASE YEAR 1982-83)
(UNAUDITED)

	Base Year 1982-83	1994-95	1995-96
GROSS			
Secured - Locally Assessed	$ 31,114	$ 80,408	$ 84,131
Public Utilities - State Assessed	1,733	19	24
Total Secured Valuation	32,847	80,427	84,155
Unsecured - Locally Assessed	2,306	6,633	5,937
Total Gross Valuation	35,153	87,060	90,092
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	1,047	1,355	1,365
Unsecured - Locally Assessed	-	-	-
Total Exemptions	1,047	1,355	1,365
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	30,067	79,053	82,766
Public Utilities - State Assessed	1,733	19	24
Net Secured	31,800	79,072	82,790
Unsecured - Locally Assessed	2,306	6,633	5,937
NET ASSESSED VALUATION FOR TAX RATE	$ 34,106	$ 85,705	$ 88,727
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		51,599	54,621
Percentage Increase (Decrease) Over Base Year		151.29%	160.15%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ -	$ -	$ 7
Total Homeowners' Exemptions	-	-	7
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	30,067	79,053	82,759
Public Utilities - State Assessed	1,733	19	24
Net Secured	31,800	79,072	82,783
Unsecured - Locally Assessed	2,306	6,633	5,937
NET ASSESSED VALUATION	$ 34,106	$ 85,705	$ 88,720

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

1996-97	1997-98	Revised Base Year 1982-83	1998-99	1999-2000	2000-01	2001-02
$ 100,504	$ 105,400	$ 31,114	$ 126,908	$ 160,567	$ 214,793	$ 233,212
26	29	61	42	45	46	-
100,530	105,429	31,175	126,950	160,612	214,839	233,212
7,048	8,446	2,306	11,987	13,202	17,680	19,390
107,578	113,875	33,481	138,937	173,814	232,519	252,602
1,644	1,631	1,047	1,634	-	291	297
-	-	-	6	10	8	24
1,644	1,631	1,047	1,640	10	299	321
98,860	103,769	30,067	125,274	160,567	214,502	232,915
26	29	61	42	45	46	-
98,886	103,798	30,128	125,316	160,612	214,548	232,915
7,048	8,446	2,306	11,981	13,192	17,672	19,366
$ 105,934	$ 112,244	$ 32,434	$ 137,297	$ 173,804	$ 232,220	$ 252,281
71,828	78,138		104,863	141,370	199,786	219,847
210.60%	229.10%		323.31%	435.87%	615.98%	677.83%
$ 7	$ 7	$ -	$ -	$ 7	$ 7	$ 7
7	7	-	-	7	7	7
98,853	103,762	30,067	125,274	160,560	214,495	232,908
26	29	61	42	45	46	-
98,879	103,791	30,128	125,316	160,605	214,541	232,908
7,048	8,446	2,306	11,981	13,192	17,672	19,366
$ 105,927	$ 112,237	$ 32,434	$ 137,297	$ 173,797	$ 232,213	$ 252,274

Continued on next page

CENTRE CITY REDEVELOPMENT PROJECT - GASLAMP SUB AREA
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1994-95 TO 2003-09 (BASE YEAR 1982-83)
(UNAUDITED)

	2002-03	2003-04	2004-05
GROSS			
Secured - Locally Assessed	$ 249,340	$ 275,444	$ 309,366
Public Utilities - State Assessed	43	37	35
Total Secured Valuation	249,383	275,481	309,401
Unsecured - Locally Assessed	23,833	28,715	28,301
Total Gross Valuation	273,216	304,196	337,702
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	303	309	315
Unsecured - Locally Assessed	-	8	35
Total Exemptions	303	317	350
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	249,037	275,135	309,051
Public Utilities - State Assessed	43	37	35
Net Secured	249,080	275,172	309,086
Unsecured - Locally Assessed	23,833	28,707	28,266
NET ASSESSED VALUATION FOR TAX RATE	$ 272,913	$ 303,879	$ 337,352
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	240,479	271,445	304,918
Percentage Increase (Decrease) Over Base Year	741.44%	836.91%	940.12%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 7	$ 7	$ -
Total Homeowners' Exemptions	7	7	-
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	249,030	275,128	309,051
Public Utilities - State Assessed	43	37	35
Net Secured	249,073	275,165	309,086
Unsecured - Locally Assessed	23,833	28,707	28,266
NET ASSESSED VALUATION	$ 272,906	$ 303,872	$ 337,352

2005-06	2006-07	2007-08	2008-09
$ 418,867	$ 583,747	$ 768,725	$ 857,715
36	33	-	-
418,903	583,780	768,725	857,715
32,268	34,934	38,445	40,460
451,171	618,714	807,170	898,175
321	327	334	341
59	77	118	188
379	404	452	529
418,546	583,420	768,391	857,374
36	33	-	-
418,582	583,453	768,391	857,374
32,210	34,857	38,327	40,272
$ 450,792	$ 618,310	$ 806,718	$ 897,646
418,358	585,876	774,284	865,212
1289.87%	1806.36%	2387.26%	2667.61%
$ 133	$ 454	$ 556	$ 564
133	454	556	564
418,413	582,966	767,835	856,810
36	33	-	-
418,449	582,999	767,835	856,810
32,210	34,857	38,327	40,272
$ 450,659	$ 617,856	$ 806,162	$ 897,082

CENTRE CITY REDEVELOPMENT PROJECT - MARINA SUB AREA
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1995-96 TO 2008-09 (BASE YEAR 1976-77)
(UNAUDITED)

	Base Year 1976-77	1995-96	1996-97
GROSS			
Secured - Locally Assessed	$ 10,503	$ 721,510	$ 708,839
Public Utilities - State Assessed	2,672	1,085	475
Total Secured Valuation	13,175	722,895	709,314
Unsecured - Locally Assessed	6,475	57,502	59,865
Total Gross Valuation	19,650	780,297	769,179
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	142	20,114	18,771
Unsecured - Locally Assessed	-	322	-
Total Exemptions	142	20,436	18,771
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	10,361	701,496	690,068
Public Utilities - State Assessed	2,672	1,085	475
Net Secured	13,033	702,581	690,543
Unsecured - Locally Assessed	6,475	57,280	59,865
NET ASSESSED VALUATION FOR TAX RATE	$ 19,508	$ 759,861	$ 750,408
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		740,353	730,900
Percentage Increase (Decrease) Over Base Year		3795.13%	3746.67%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ -	$ 1,477	$ 1,560
Unsecured - Locally Assessed	-	49	95
Total Homeowners' Exemptions	-	1,526	1,655
BUSINESS INVENTORY EXEMPTIONS			
Secured - Locally Assessed	212	-	-
Unsecured - Locally Assessed	1,539	-	-
Total Business Inventory Exemptions	1,751	-	-
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	10,149	700,019	688,508
Public Utilities - State Assessed	2,672	1,085	475
Net Secured	12,821	701,104	688,983
Unsecured - Locally Assessed	4,936	57,231	59,770
NET ASSESSED VALUATION	$ 17,757	$ 758,335	$ 748,753

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

Revised Base Year 1976-77	1997-98	Revised Base Year 1976-77	1998-99	1999-2000	2000-01	2001-02
$ 9,814	$ 721,827	$ 9,814	$ 758,292	$ 816,598	$ 873,181	$ 1,078,100
2,672	353	964	501	534	544	-
12,486	722,180	10,778	758,793	817,132	873,725	1,078,100
6,475	59,208	6,475	64,822	60,580	66,559	69,427
18,961	781,388	17,253	823,615	877,712	940,284	1,147,527
143	19,397	143	19,782	20,400	20,558	22,941
-	-	-	97	88	88	3,553
143	19,397	143	19,879	20,488	20,646	25,494
9,671	702,430	9,671	738,510	796,198	852,623	1,055,159
2,672	353	964	501	534	544	-
12,343	702,783	10,635	739,011	796,732	853,167	1,055,159
6,475	59,208	6,475	64,725	60,492	66,471	65,874
$ 18,818	$ 761,991	$ 17,110	$ 803,736	$ 857,224	$ 919,638	$ 1,121,033
	743,173		786,626	840,114	902,528	1,103,923
	3949.27%		4597.46%	4910.08%	5274.86%	6451.92%
$ 867	$ 1,792	$ 867	$ 2,001	$ 2,351	$ 2,280	$ 2,744
-	95	-	-	-	116	90
867	1,887	867	2,001	2,351	2,396	2,834
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
8,804	700,638	8,804	736,509	793,847	850,343	1,062,415
2,672	353	964	501	534	544	-
11,476	700,991	9,768	737,010	794,381	850,887	1,062,415
6,475	59,113	6,475	64,725	60,492	66,355	66,784
$ 17,951	$ 760,104	$ 16,243	$ 801,735	$ 854,873	$ 917,242	$ 1,118,199

Continued on next page

CENTRE CITY REDEVELOPMENT PROJECT - MARINA SUB AREA
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1995-96 TO 2008-09 (BASE YEAR 1976-77)
(UNAUDITED)

	2002-03	2003-04	2004-05
GROSS			
Secured - Locally Assessed	$ 1,267,073	$ 1,571,302	$ 1,913,850
Public Utilities - State Assessed	502	437	417
Total Secured Valuation	1,267,575	1,571,739	1,914,267
Unsecured - Locally Assessed	72,613	72,640	69,934
Total Gross Valuation	1,340,188	1,644,379	1,984,201
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	23,137	23,802	25,327
Unsecured - Locally Assessed	2,573	4,278	4,153
Total Exemptions	25,710	28,080	29,480
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	1,243,936	1,547,500	1,888,523
Public Utilities - State Assessed	502	437	417
Net Secured	1,244,438	1,547,937	1,888,940
Unsecured - Locally Assessed	70,040	68,362	65,781
NET ASSESSED VALUATION FOR TAX RATE	$ 1,314,478	$ 1,616,299	$ 1,954,721
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	1,297,368	1,599,189	1,937,511
Percentage Increase (Decrease) Over Base Year	7582.51%	9346.52%	11324.44%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 3,828	$ 4,673	$ 6,086
Unsecured - Locally Assessed	83	105	119
Total Homeowners' Exemptions	3,911	4,778	6,205
BUSINESS INVENTORY EXEMPTIONS			
Secured - Locally Assessed	-	-	-
Unsecured - Locally Assessed	-	-	-
Total Business Inventory Exemptions	-	-	-
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	1,240,108	1,542,827	1,882,437
Public Utilities - State Assessed	502	437	417
Net Secured	1,240,610	1,543,264	1,882,854
Unsecured - Locally Assessed	69,957	68,257	65,662
NET ASSESSED VALUATION	$ 1,310,567	$ 1,611,521	$ 1,948,516

2005-06	2006-07	2007-08	Revised Base Year 1976-77	2008-09
$ 2,115,535	$ 2,264,707	$ 2,464,052	$ 9,814	$ 2,585,415
426	403	4	556	4
2,115,961	2,265,110	2,464,056	10,370	2,585,419
81,890	94,651	105,830	6,475	94,299
2,197,851	2,359,761	2,569,886	16,845	2,679,718
25,915	26,565	36,219	143	52,549
4,479	4,862	2,898	-	229
30,394	31,427	39,117	143	52,778
2,089,620	2,238,142	2,427,833	9,671	2,532,866
426	403	4	556	4
2,090,046	2,238,545	2,427,837	10,227	2,532,870
77,411	89,789	102,932	6,475	94,070
$ 2,167,457	$ 2,328,334	$ 2,530,769	$ 16,702	$ 2,626,940
2,150,347	2,311,224	2,513,659		2,610,238
12567.78%	13508.03%	14691.17%		15628.30%
$ 6,402	$ 6,787	$ 6,931	$ 867	$ 6,776
90	84	63	-	42
6,492	6,871	6,994	867	6,818
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,083,218	2,231,356	2,420,902	8,804	2,526,090
426	403	4	556	4
2,083,644	2,231,758	2,420,906	9,360	2,526,094
77,321	89,705	102,869	6,475	94,028
$ 2,160,965	$ 2,321,463	$ 2,523,775	$ 15,835	$ 2,620,122

CITY HEIGHTS REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1996-97 TO 2008-09 (BASE YEAR 1992-93)
(UNAUDITED)

	Base Year 1992-93	Revised Base Year 1992-93	1996-97
GROSS			
Secured - Locally Assessed	$ 1,221,895	$ 1,214,987	$ 1,116,612
Total Secured Valuation	1,221,895	1,214,987	1,116,612
Unsecured - Locally Assessed	20,926	20,926	15,508
Total Gross Valuation	1,242,821	1,235,913	1,132,120
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	25,677	25,064	25,816
Unsecured - Locally Assessed	-	-	41
Total Exemptions	25,677	25,064	25,857
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	1,196,218	1,189,923	1,090,796
Net Secured	1,196,218	1,189,923	1,090,796
Unsecured - Locally Assessed	20,926	20,926	15,467
NET ASSESSED VALUATION FOR TAX RATE	$ 1,217,144	$ 1,210,849	$ 1,106,263
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year			(104,586)
Percentage Increase (Decrease) Over Base Year			-8.64%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ -	$ 19,985	$ 19,674
Total Homeowners' Exemptions	-	19,985	19,674
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	1,196,218	1,169,938	1,071,122
Net Secured	1,196,218	1,169,938	1,071,122
Unsecured - Locally Assessed	20,926	20,926	15,467
NET ASSESSED VALUATION	$ 1,217,144	$ 1,190,864	$ 1,086,589

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

Revised Base Year 1992-93	1997-98	Revised Base Year 1992-93	1998-99	1999-2000	2000-01	2001-02
$ 1,034,935	$ 1,000,884	$ 1,027,567	$ 1,010,076	$ 1,045,685	$ 1,118,357	$ 1,227,363
1,034,935	1,000,884	1,027,567	1,010,076	1,045,685	1,118,357	1,227,363
20,926	14,297	20,926	17,330	17,759	18,869	18,078
1,055,861	1,015,181	1,048,493	1,027,406	1,063,444	1,137,226	1,245,441
25,064	26,792	25,064	27,331	31,489	43,087	44,494
-	166	-	199	544	574	909
25,064	26,958	25,064	27,530	32,033	43,661	45,403
1,009,871	974,092	1,002,503	982,745	1,014,196	1,075,270	1,182,869
1,009,871	974,092	1,002,503	982,745	1,014,196	1,075,270	1,182,869
20,926	14,131	20,926	17,131	17,215	18,295	17,169
$ 1,030,797	$ 988,223	$ 1,023,429	$ 999,876	$ 1,031,411	$ 1,093,565	$ 1,200,038
	(42,574)		(23,553)	7,982	70,136	176,609
	-4.13%		-2.30%	0.78%	6.85%	17.26%
$ 19,985	$ 19,421	$ 19,985	$ 19,127	$ 19,734	$ 19,838	$ 20,689
19,985	19,421	19,985	19,127	19,734	19,838	20,689
989,886	954,671	982,518	963,618	994,462	1,055,432	1,162,180
989,886	954,671	982,518	963,618	994,462	1,055,432	1,162,180
20,926	14,131	20,926	17,131	17,215	18,295	17,169
$ 1,010,812	$ 968,802	$ 1,003,444	$ 980,749	$ 1,011,677	$ 1,073,727	$ 1,179,349

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CITY HEIGHTS REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1996-97 TO 2008-09 (BASE YEAR 1992-93)
(UNAUDITED)

	2002-03	2003-04	Revised Base Year 1992-93
GROSS			
Secured - Locally Assessed	$ 1,371,384	$ 1,536,318	$ 1,013,800
Total Secured Valuation	1,371,384	1,536,318	1,013,800
Unsecured - Locally Assessed	21,608	27,638	20,926
Total Gross Valuation	1,392,992	1,563,956	1,034,726
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	49,928	59,297	24,921
Unsecured - Locally Assessed	122	801	-
Total Exemptions	50,050	60,098	24,921
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	1,321,456	1,477,021	988,879
Net Secured	1,321,456	1,477,021	988,879
Unsecured - Locally Assessed	21,486	26,837	20,926
NET ASSESSED VALUATION FOR TAX RATE	$ 1,342,942	$ 1,503,858	$ 1,009,805
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	319,513	480,429	
Percentage Increase (Decrease) Over Base Year	31.22%	46.94%	
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 21,143	$ 21,707	$ 19,985
Total Homeowners' Exemptions	21,143	21,707	19,985
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	1,300,313	1,455,314	968,894
Net Secured	1,300,313	1,455,314	968,894
Unsecured - Locally Assessed	21,486	26,837	20,926
NET ASSESSED VALUATION	$ 1,321,799	$ 1,482,151	$ 989,820

2004-05	Revised Base Year 1992-93	2005-06	2006-07	2007-08	2008-09
$ 1,744,652	$ 1,009,880	$ 1,989,379	$ 2,235,202	$ 2,419,952	$ 2,503,966
1,744,652	1,009,880	1,989,379	2,235,202	2,419,952	2,503,966
26,310	20,926	31,585	32,576	32,476	35,213
1,770,962	1,030,806	2,020,964	2,267,778	2,452,428	2,539,179
72,663	24,921	78,153	90,345	101,795	117,478
1,016	-	3,554	4,763	3,493	6,015
73,679	24,921	81,707	95,108	105,288	123,493
1,671,989	984,959	1,911,226	2,144,857	2,318,157	2,386,488
1,671,989	984,959	1,911,226	2,144,857	2,318,157	2,386,488
25,294	20,926	28,031	27,813	28,983	29,198
$ 1,697,283	$ 1,005,885	$ 1,939,257	$ 2,172,670	$ 2,347,140	$ 2,415,686
687,478		933,372	1,166,785	1,341,255	1,409,801
68.08%		92.79%	116.00%	133.34%	140.16%
$ 21,935	$ 19,985	$ 23,185	$ 23,786	$ 24,013	$ 24,273
21,935	19,985	23,185	23,786	24,013	24,273
1,650,054	964,974	1,888,041	2,121,071	2,294,144	2,362,215
1,650,054	964,974	1,888,041	2,121,071	2,294,144	2,362,215
25,294	20,926	28,031	27,813	28,983	29,198
$ 1,675,348	$ 985,900	$ 1,916,072	$ 2,148,884	$ 2,323,127	$ 2,391,413

COLLEGE COMMUNITY REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1994-95 TO 2008-09 (BASE YEAR 1993-94)
(UNAUDITED)

	Base Year 1993-94	1994-95	1995-96
GROSS			
Secured - Locally Assessed	$ 56,366	$ 60,304	$ 59,183
Total Secured Valuation	56,366	60,304	59,183
Unsecured - Locally Assessed	3,033	2,899	2,583
Total Gross Valuation	59,399	63,203	61,766
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	10,367	11,029	10,723
Unsecured - Locally Assessed	-	-	-
Total Exemptions	10,367	11,029	10,723
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	45,999	49,275	48,460
Net Secured	45,999	49,275	48,460
Unsecured - Locally Assessed	3,033	2,899	2,583
NET ASSESSED VALUATION FOR TAX RATE	$ 49,032	$ 52,174	$ 51,043
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		3,142	2,011
Percentage Increase (Decrease) Over Base Year		6.41%	4.10%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 14	$ 14	$ 14
Total Homeowners' Exemptions	14	14	14
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	45,985	49,261	48,446
Net Secured	45,985	49,261	48,446
Unsecured - Locally Assessed	3,033	2,899	2,583
NET ASSESSED VALUATION	$ 49,018	$ 52,160	$ 51,029

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03
$ 58,730	$ 59,540	$ 65,343	$ 69,023	$ 77,392	$ 101,104	$ 106,774
58,730	59,540	65,343	69,023	77,392	101,104	106,774
2,447	3,053	5,809	4,950	10,019	10,329	3,779
61,177	62,593	71,152	73,973	87,411	111,433	110,553
11,972	11,778	10,997	11,440	21,149	23,021	43,610
-	1,114	309	1,542	4,847	5,455	-
11,972	12,892	11,306	12,982	25,996	28,476	43,610
46,758	47,762	54,346	57,583	56,243	78,093	63,164
46,758	47,762	54,346	57,583	56,243	78,083	63,164
2,447	1,939	5,500	3,408	5,172	4,874	3,779
$ 49,205	$ 49,701	$ 59,846	$ 60,991	$ 61,415	$ 82,957	$ 66,943
173	669	10,814	11,959	12,383	33,925	17,911
0.36%	1.36%	22.05%	24.39%	25.25%	69.19%	36.53%
$ 14	$ 14	$ 14	$ 21	$ 21	$ 21	$ 21
14	14	14	21	21	21	21
46,744	47,748	54,332	57,562	56,222	78,092	63,143
46,744	47,748	54,332	57,562	56,222	78,062	63,143
2,447	1,939	5,500	3,408	5,172	4,874	3,779
$ 49,191	$ 49,687	$ 59,832	$ 60,970	$ 61,394	$ 82,936	$ 66,922

Continued on next page

COLLEGE COMMUNITY REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1994-95 TO 2008-09 (BASE YEAR 1993-94)
(UNAUDITED)

	2003-04	2004-05	2005-06
GROSS			
Secured - Locally Assessed	$ 123,054	$ 127,995	$ 138,085
Total Secured Valuation	123,054	127,995	138,085
Unsecured - Locally Assessed	5,069	3,853	5,196
Total Gross Valuation	128,123	131,848	143,281
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	57,296	59,194	59,461
Unsecured - Locally Assessed	203	110	511
Total Exemptions	57,499	59,304	59,972
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	65,758	68,801	78,624
Net Secured	65,758	68,801	78,624
Unsecured - Locally Assessed	4,866	3,743	4,685
NET ASSESSED VALUATION FOR TAX RATE	$ 70,624	$ 72,544	$ 83,309
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	21,592	23,512	34,277
Percentage Increase (Decrease) Over Base Year	44.04%	47.95%	69.91%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 14	$ 14	$ 14
Total Homeowners' Exemptions	14	14	14
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	65,744	68,787	78,610
Net Secured	65,744	68,787	78,610
Unsecured - Locally Assessed	4,866	3,743	4,685
NET ASSESSED VALUATION	$ 70,610	$ 72,530	$ 83,295

2006-07	2007-08	2008-09
$ 171,370	$ 183,039	$ 188,446
171,370	183,039	188,446
7,526	9,633	10,405
178,896	192,672	198,851
60,173	37,185	40,701
2,939	2,698	1,956
63,112	39,883	42,650
111,197	145,854	147,745
111,197	145,854	147,745
4,587	6,935	8,447
$ 115,784	$ 152,789	$ 156,192
66,752	103,757	107,190
136.14%	211.61%	218.55%
$ 14	$ 14	$ 35
14	14	35
111,183	145,840	147,710
111,183	145,840	147,710
4,587	6,935	8,447
$ 115,770	$ 152,775	$ 156,157

COLLEGE GROVE REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1994-95 TO 2008-09 (BASE YEAR 1986-87)
(UNAUDITED)

	Base Year 1986-87	1994-95	1995-96
GROSS			
Secured - Locally Assessed	$ 17,135	$ 32,969	$ 27,115
Public Utilities - State Assessed	292	-	-
Total Secured Valuation	17,427	32,969	27,115
Unsecured - Locally Assessed	2,510	5,097	3,450
Total Gross Valuation	19,937	38,066	30,565
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Unsecured - Locally Assessed	-	2	2
Total Exemptions	-	2	2
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	17,135	32,969	27,115
Public Utilities - State Assessed	292	-	-
Net Secured	17,427	32,969	27,115
Unsecured - Locally Assessed	2,510	5,095	3,448
NET ASSESSED VALUATION FOR TAX RATE	19,937	38,064	30,563
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		18,127	10,626
Percentage Increase (Decrease) Over Base Year		90.92%	53.30%
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	17,135	32,969	27,115
Public Utilities - State Assessed	292	-	-
Net Secured	17,427	32,969	27,115
Unsecured - Locally Assessed	2,510	5,095	3,448
NET ASSESSED VALUATION	$ 19,937	$ 38,064	$ 30,563

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

1996-97	1997-98	Revised Base Year 1986-87	1998-99	1999-2000	2000-01	2001-02
$ 26,283	$ 26,507	$ 17,135	$ 26,846	$ 25,176	$ 53,271	$ 61,376
-	-	14	-	-	-	-
26,283	26,507	17,149	26,846	25,176	53,271	61,376
2,692	3,158	2,510	2,705	1,669	2,851	6,879
28,975	29,665	19,659	29,551	26,845	56,122	68,255
-	-	-	-	-	-	-
-	-	-	-	-	-	-
26,283	26,507	17,135	26,846	25,176	53,271	61,376
-	-	14	-	-	-	-
26,283	26,507	17,149	26,846	25,176	53,271	61,376
2,692	3,158	2,510	2,705	1,669	2,851	6,879
28,975	29,665	19,659	29,551	26,845	56,122	68,255
9,038	9,728		9,892	7,186	36,463	48,596
45.33%	48.79%		50.32%	36.55%	185.48%	247.19%
26,283	26,507	17,135	26,846	25,176	53,271	61,376
-	-	14	-	-	-	-
26,283	26,507	17,149	26,846	25,176	53,271	61,376
2,692	3,158	2,510	2,705	1,669	2,851	6,879
$ 28,975	$ 29,665	$ 19,659	$ 29,551	$ 26,845	$ 56,122	$ 68,255

Continued on next page

COLLEGE GROVE REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1994-95 TO 2008-09 (BASE YEAR 1986-87)
(UNAUDITED)

	2002-03	2003-04	2004-05
GROSS			
Secured - Locally Assessed	$ 62,738	$ 61,096	$ 82,062
Public Utilities - State Assessed	-	-	-
Total Secured Valuation	62,738	61,096	82,062
Unsecured - Locally Assessed	8,505	6,197	8,525
Total Gross Valuation	71,243	67,293	90,587
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Unsecured - Locally Assessed	-	-	-
Total Exemptions	-	-	-
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	62,738	61,096	82,062
Public Utilities - State Assessed	-	-	-
Net Secured	62,738	61,096	82,062
Unsecured - Locally Assessed	8,505	6,197	8,525
NET ASSESSED VALUATION FOR TAX RATE	71,243	67,293	90,587
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	51,584	47,634	70,928
Percentage Increase (Decrease) Over Base Year	262.39%	242.30%	360.79%
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	62,738	61,096	82,062
Public Utilities - State Assessed	-	-	-
Net Secured	62,738	61,096	82,062
Unsecured - Locally Assessed	8,505	6,197	8,525
NET ASSESSED VALUATION	$ 71,243	$ 67,293	$ 90,587

2005-06	2006-07	2007-08	2008-09
$ 86,793	$ 86,772	$ 86,274	$ 90,728
-	-	-	-
86,793	86,772	86,274	90,728
9,832	10,274	10,212	9,782
96,625	97,046	96,486	100,510
-	-	-	-
-	-	-	-
86,793	86,772	86,274	90,728
-	-	-	-
86,793	86,772	86,274	90,728
9,832	10,274	10,212	9,782
96,625	97,046	96,486	100,510
75,866	77,387	76,827	80,851
386.42%	393.65%	390.80%	411.27%
86,793	86,772	86,274	90,728
-	-	-	-
86,793	86,772	86,274	90,728
9,832	10,274	10,212	9,782
$ 96,625	$ 97,046	$ 96,486	$ 100,510

CROSSROADS REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 2002-2003 TO 2008-09 (BASE YEAR 2007-2008)
(UNAUDITED)

	Base Year 2002-2003	2004-05	2005-06
GROSS			
Secured - Locally Assessed	$ 530,192	$ 638,610	$ 743,762
Total Secured Valuation	530,192	638,610	743,762
Unsecured - Locally Assessed	24,811	22,662	28,847
Total Gross Valuation	555,003	661,272	772,609
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	35,700	42,163	42,528
Unsecured - Locally Assessed	475	862	1,176
Total Exemptions	36,175	43,026	43,704
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	494,492	596,447	701,234
Net Secured	494,492	596,447	701,234
Unsecured - Locally Assessed	24,336	21,800	27,671
NET ASSESSED VALUATION FOR TAX RATE	$ 518,828	$ 618,247	$ 728,905
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		99,419	210,077
Percentage Increase (Decrease) Over Base Year		19.16%	40.49%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ -	$ 4,278	$ 4,731
Total Homeowners' Exemptions	-	4,278	4,731
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	494,492	592,169	696,503
Net Secured	494,492	592,169	696,503
Unsecured - Locally Assessed	24,336	21,800	27,671
NET ASSESSED VALUATION	$ 518,828	$ 613,969	$ 724,174

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

2006-07	2007-08	2008-09
$ 857,715	$ 934,057	$ 968,761
857,715	934,057	968,761
25,739	27,132	29,450
883,454	961,189	998,211
49,389	48,462	50,933
973	1,156	1,140
50,362	49,618	52,073
808,326	885,605	917,828
808,326	885,605	917,828
24,766	25,966	28,310
$ 833,092	$ 911,571	$ 946,138
314,264	392,743	427,310
60.57%	75.70%	82.36%
$ 5,212	$ 5,782	$ 5,954
5,212	5,782	5,954
803,114	879,823	911,874
803,114	879,823	911,874
24,766	25,966	28,310
$ 827,880	$ 905,789	$ 940,184

GATEWAY CENTER WEST REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1995-96 TO 2008-09 (BASE YEAR 1976-77)
(UNAUDITED)

	Base Year 1976-77	1995-96	Revised Base Year 1976-77
GROSS			
Secured - Locally Assessed	$ 3,306	$ 22,547	$ 3,301
Public Utilities - State Assessed	1,841	-	1,841
Total Secured Valuation	5,147	22,547	5,142
Unsecured - Locally Assessed	454	1,424	454
Total Gross Valuation	5,601	23,971	5,596
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	87	3,612	87
Unsecured - Locally Assessed	-	135	-
Total Exemptions	87	3,747	87
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	3,219	18,935	3,214
Public Utilities - State Assessed	1,841	-	1,841
Net Secured	5,060	18,935	5,055
Unsecured - Locally Assessed	454	1,289	454
NET ASSESSED VALUATION FOR TAX RATE	$ 5,514	$ 20,224	$ 5,509
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		14,710	
Percentage Increase (Decrease) Over Base Year		266.78%	
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 189	$ 63	$ 189
Total Homeowners' Exemptions	189	63	189
BUSINESS INVENTORY EXEMPTIONS			
Secured - Locally Assessed	54	-	-
Unsecured - Locally Assessed	80	-	-
Total Business Inventory Exemptions	134	-	-
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	2,976	18,872	3,025
Public Utilities - State Assessed	1,841	-	1,841
Net Secured	4,817	18,872	4,866
Unsecured - Locally Assessed	374	1,289	454
NET ASSESSED VALUATION	$ 5,191	$ 20,161	$ 5,320

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

1996-97	1997-98	Revised Base Year 1976-77	1998-99	1999-2000	2000-01	2001-02
$ 20,915	$ 22,079	$ 3,302	$ 22,008	$ 22,412	$ 22,100	$ 24,462
-	-	-	-	-	-	-
20,915	22,079	3,302	22,008	22,412	22,100	24,462
4,096	2,719	454	2,417	2,066	3,005	4,471
25,011	24,798	3,756	24,425	24,478	25,105	28,933
4,912	5,010	87	5,111	5,205	5,309	5,415
-	201	-	118	109	165	186
4,912	5,211	87	5,229	5,314	5,474	5,601
16,003	17,069	3,215	16,897	17,207	16,791	19,047
-	-	-	-	-	-	-
16,003	17,069	3,215	16,897	17,207	16,791	19,047
4,096	2,518	454	2,299	1,957	2,840	4,285
$ 20,099	$ 19,587	$ 3,669	$ 19,196	$ 19,164	$ 19,631	$ 23,332
14,590	14,078		15,527	15,495	15,962	19,663
264.84%	255.55%		423.19%	422.32%	435.05%	535.92%
$ 63	$ 70	$ 189	$ 70	$ 70	$ 70	$ 56
63	70	189	70	70	70	56
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
15,940	18,999	3,026	16,827	17,137	16,721	18,991
-	-	-	-	-	-	-
15,940	16,999	3,026	16,827	17,137	16,721	18,991
4,096	2,518	454	2,299	1,957	2,840	4,285
$ 20,036	$ 19,517	$ 3,480	$ 19,126	$ 19,094	$ 19,561	$ 23,276

Continued on next page

GATEWAY CENTER WEST REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1995-96 TO 2008-09 (BASE YEAR 1976-77)
(UNAUDITED)

	2002-03	2003-04	2004-05
GROSS			
Secured - Locally Assessed	$ 25,654	$ 27,585	$ 28,969
Public Utilities - State Assessed	-	-	-
Total Secured Valuation	25,654	27,585	28,969
Unsecured - Locally Assessed	3,898	3,746	3,755
Total Gross Valuation	29,552	31,331	32,724
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	5,524	5,634	5,739
Unsecured - Locally Assessed	-	177	162
Total Exemptions	5,524	5,811	5,901
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	20,130	21,951	23,230
Public Utilities - State Assessed	-	-	-
Net Secured	20,130	21,951	23,230
Unsecured - Locally Assessed	3,898	3,569	3,593
NET ASSESSED VALUATION FOR TAX RATE	$ 24,028	$ 25,520	$ 26,823
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	20,359	21,851	23,154
Percentage Increase (Decrease) Over Base Year	554.89%	595.56%	631.07%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 56	$ 63	$ 35
Total Homeowners' Exemptions	56	63	35
BUSINESS INVENTORY EXEMPTIONS			
Secured - Locally Assessed	-	-	-
Unsecured - Locally Assessed	-	-	-
Total Business Inventory Exemptions	-	-	-
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	20,074	21,888	23,195
Public Utilities - State Assessed	-	-	-
Net Secured	20,074	21,888	23,195
Unsecured - Locally Assessed	3,898	3,569	3,593
NET ASSESSED VALUATION	$ 23,972	$ 25,457	$ 26,788

2005-06	2006-07	2007-08	2008-09
$ 29,987	$ 31,256	$ 34,527	$ 34,863
-	-	-	-
29,987	31,256	34,527	34,863
4,413	3,941	5,052	6,637
34,400	35,197	39,579	41,500
5,854	5,971	6,091	6,213
175	160	137	52
6,029	6,131	6,228	6,265
24,133	25,285	28,436	28,650
-	-	-	-
24,133	25,285	28,436	28,650
4,238	3,781	4,915	6,585
$ 28,371	$ 29,066	$ 33,351	$ 35,235
24,702	25,397	29,682	31,596
673.26%	692.20%	808.99%	860.34%
$ 42	$ 35	$ 28	$ 28
42	35	28	28
-	-	-	-
-	-	-	-
-	-	-	-
24,091	25,250	28,408	28,622
-	-	-	-
24,091	25,250	28,408	28,622
4,238	3,781	4,915	6,585
$ 28,329	$ 29,031	$ 33,323	$ 35,207

HORTON PLAZA REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1994-95 TO 2008-09 (BASE YEAR 1972-73)
(UNAUDITED)

	Base Year 1972-73	1994-95	1995-96
GROSS			
Secured - Locally Assessed	$ 15,718	$ 410,939	$ 354,750
Public Utilities - State Assessed	1,374	-	-
Total Secured Valuation	17,092	410,939	354,750
Unsecured - Locally Assessed	2,202	27,953	23,628
Total Gross Valuation	19,294	438,892	378,378
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	522	-	-
Unsecured - Locally Assessed	-	608	660
Total Exemptions	522	608	660
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	15,196	410,939	354,750
Public Utilities - State Assessed	1,374	-	-
Net Secured	16,570	410,939	354,750
Unsecured - Locally Assessed	2,202	27,345	22,968
NET ASSESSED VALUATION FOR TAX RATE	$ 18,772	$ 438,284	$ 377,718
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		419,512	358,946
Percentage Increase (Decrease) Over Base Year		2234.78%	1912.14%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ -	$ 609	$ 595
Total Homeowners' Exemptions	-	609	595
BUSINESS INVENTORY EXEMPTIONS			
Unsecured - Locally Assessed	307	-	-
Total Business Inventory Exemptions	307	-	-
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	15,196	410,330	354,155
Public Utilities - State Assessed	1,374	-	-
Net Secured	16,570	410,330	354,155
Unsecured - Locally Assessed	1,895	27,345	22,968
NET ASSESSED VALUATION	$ 18,465	$ 437,675	$ 377,123

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

1996-97	1997-98	Revised Base Year 1972-73	1998-99	1999-2000	2000-01	2001-02
$ 346,766	$ 364,213	$ 15,718	$ 373,433	$ 455,518	$ 473,520	$ 500,728
-	-	3	-	-	-	-
346,766	364,213	15,721	373,433	455,518	473,520	500,728
25,055	26,626	2,203	28,495	43,981	46,557	44,642
371,821	390,839	17,924	401,928	499,499	520,077	545,370
-	-	522	-	-	-	-
557	922	-	528	7,384	7,597	7,848
557	922	522	528	7,384	7,597	7,848
346,766	364,213	15,196	373,433	455,518	473,520	500,728
-	-	3	-	-	-	-
346,766	364,213	15,199	373,433	455,518	473,520	500,728
24,498	25,704	2,203	27,967	36,597	38,960	36,794
$ 371,264	$ 389,917	$ 17,402	$ 401,400	$ 492,115	$ 512,480	$ 537,522
352,492	371,145		383,998	474,713	495,078	520,120
1877.75%	1977.12%		2206.63%	2727.92%	2844.95%	2988.85%
$ 630	$ 679	$ -	$ 728	$ 735	$ 755	$ 748
630	679	-	728	735	755	748
-	-	307	-	-	-	-
-	-	307	-	-	-	-
346,136	363,534	15,196	372,705	454,783	472,765	499,980
-	-	3	-	-	-	-
346,136	363,534	15,199	372,705	454,783	472,765	499,980
24,498	25,704	1,896	27,967	36,597	38,960	36,794
$ 370,634	$ 389,238	$ 17,095	$ 400,672	$ 491,380	$ 511,725	$ 536,774

Continued on next page

HORTON PLAZA REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1994-95 TO 2008-09 (BASE YEAR 1972-73)
(UNAUDITED)

	2002-03	2003-04	2004-05
GROSS			
Secured - Locally Assessed	$ 522,112	$ 521,454	$ 547,082
Public Utilities - State Assessed	-	-	-
Total Secured Valuation	522,112	521,454	547,082
Unsecured - Locally Assessed	59,284	56,366	55,272
Total Gross Valuation	581,396	577,820	602,354
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	-	-	-
Unsecured - Locally Assessed	7,279	7,672	7,823
Total Exemptions	7,279	7,672	7,823
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	522,112	521,454	547,082
Public Utilities - State Assessed	-	-	-
Net Secured	522,112	521,454	547,082
Unsecured - Locally Assessed	52,005	48,694	47,449
NET ASSESSED VALUATION FOR TAX RATE	$ 574,117	$ 570,148	$ 594,531
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	556,715	552,746	577,129
Percentage Increase (Decrease) Over Base Year	3199.14%	3176.34%	3316.45%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 714	$ 725	$ 734
Total Homeowners' Exemptions	714	725	734
BUSINESS INVENTORY EXEMPTIONS			
Unsecured - Locally Assessed	-	-	-
Total Business Inventory Exemptions	-	-	-
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	521,398	520,729	546,348
Public Utilities - State Assessed	-	-	-
Net Secured	521,398	520,729	546,348
Unsecured - Locally Assessed	52,005	48,694	47,449
NET ASSESSED VALUATION	$ 573,403	$ 569,423	$ 593,797

2005-06	2006-07	2007-08	2008-09
$ 697,888	$ 781,280	$ 796,901	$ 820,675
-	-	-	-
697,888	781,280	796,901	820,675
55,487	59,958	60,885	59,367
753,375	841,238	857,786	880,042
-	-	-	-
8,057	8,731	8,840	8,929
8,057	8,731	8,840	8,929
697,888	781,280	796,901	820,675
-	-	-	-
697,888	781,280	796,901	820,675
47,430	51,227	52,045	50,438
$ 745,318	$ 832,507	$ 848,946	$ 871,113
727,916	815,105	831,544	853,711
4182.94%	4683.97%	4778.44%	4905.82%
$ 756	$ 763	$ 734	$ 721
756	763	734	721
-	-	-	-
-	-	-	-
697,132	780,517	796,167	819,954
-	-	-	-
697,132	780,517	796,167	819,954
47,430	51,227	52,045	50,438
$ 744,562	$ 831,744	$ 848,212	$ 870,392

LINDA VISTA REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1995-96 TO 2008-09 (BASE YEAR 1972-73)
(UNAUDITED)

	Base Year 1972-73	Revised Base Year 1972-73	1995-96
GROSS			
Secured - Locally Assessed	$ 1,611	$ 1,600	$ 7,123
Public Utilities - State Assessed	128	128	-
Total Secured Valuation	1,739	1,728	7,123
Unsecured - Locally Assessed	660	660	1,582
Total Gross Valuation	2,399	2,388	8,705
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	7	7	-
Unsecured - Locally Assessed	-	-	-
Total Exemptions	7	7	-
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	1,604	1,593	7,123
Public Utilities - State Assessed	128	128	-
Net Secured	1,732	1,721	7,123
Unsecured - Locally Assessed	660	660	1,582
NET ASSESSED VALUATION FOR TAX RATE	$ 2,392	$ 2,381	$ 8,705
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year			6,324
Percentage Increase (Decrease) Over Base Year			265.60%
BUSINESS INVENTORY EXEMPTIONS			
Secured - Locally Assessed	-	-	-
Unsecured - Locally Assessed	153	153	-
Total Business Inventory Exemptions	153	153	-
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	1,604	1,593	7,123
Public Utilities - State Assessed	128	128	-
Net Secured	1,732	1,721	7,123
Unsecured - Locally Assessed	507	507	1,582
NET ASSESSED VALUATION	$ 2,239	$ 2,228	$ 8,705

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

1996-97	1997-98	Revised Base Year 1972-73	1998-99	1999-2000	2000-01	2001-02
$ 7,242	$ 7,373	$ 1,600	$ 7,505	$ 8,123	$ 8,807	$ 9,163
-	-	-	-	-	-	-
7,242	7,373	1,600	7,505	8,123	8,807	9,163
1,826	1,461	660	1,319	1,926	2,385	2,433
9,068	8,834	2,260	8,824	10,049	11,192	11,596
-	-	7	-	-	-	-
-	-	-	-	-	-	-
-	-	7	-	-	-	-
7,242	7,373	1,593	7,505	8,123	8,807	9,163
-	-	-	-	-	-	-
7,242	7,373	1,593	7,505	8,123	8,807	9,163
1,826	1,461	660	1,319	1,926	2,385	2,433
$ 9,068	$ 8,834	$ 2,253	$ 8,824	$ 10,049	$ 11,192	$ 11,596
6,687	6,453		6,571	7,796	8,939	9,343
280.85%	271.02%		291.66%	346.03%	396.76%	414.69%
-	-	-	-	-	-	-
-	-	153	-	-	-	-
-	-	153	-	-	-	-
7,242	7,373	1,593	7,505	8,123	8,807	9,163
-	-	-	-	-	-	-
7,242	7,373	1,593	7,505	8,123	8,807	9,163
1,826	1,461	507	1,319	1,926	2,385	2,433
$ 9,068	$ 8,834	$ 2,100	$ 8,824	$ 10,049	$ 11,192	$ 11,596

Continued on next page

LINDA VISTA REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1995-96 TO 2008-09 (BASE YEAR 1972-73)
(UNAUDITED)

	2002-03	2003-04	2004-05
GROSS			
Secured - Locally Assessed	$ 9,333	$ 8,236	$ 8,456
Public Utilities - State Assessed	-	-	-
Total Secured Valuation	9,333	8,236	8,456
Unsecured - Locally Assessed	2,655	2,639	2,137
Total Gross Valuation	11,988	10,875	10,593
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	-	-	-
Unsecured - Locally Assessed	-	-	-
Total Exemptions	-	-	-
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	9,333	8,236	8,456
Public Utilities - State Assessed	-	-	-
Net Secured	9,333	8,236	8,456
Unsecured - Locally Assessed	2,655	2,639	2,137
NET ASSESSED VALUATION FOR TAX RATE	$ 11,988	$ 10,875	$ 10,593
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	9,735	8,622	8,340
Percentage Increase (Decrease) Over Base Year	432.09%	382.69%	370.17%
BUSINESS INVENTORY EXEMPTIONS			
Secured - Locally Assessed	-	-	-
Unsecured - Locally Assessed	-	-	-
Total Business Inventory Exemptions	-	-	-
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	9,333	8,236	8,456
Public Utilities - State Assessed	-	-	-
Net Secured	9,333	8,236	8,456
Unsecured - Locally Assessed	2,655	2,639	2,137
NET ASSESSED VALUATION	$ 11,988	$ 10,875	$ 10,593

2005-06	2006-07	2007-08	2008-09
$ 8,779	$ 9,006	$ 9,398	$ 9,583
-	-	-	-
8,779	9,006	9,398	9,583
2,044	1,939	1,864	1,750
10,823	10,945	11,262	11,333
-	-	-	-
-	-	-	-
-	-	-	-
8,779	9,006	9,398	9,583
-	-	-	-
8,779	9,006	9,398	9,583
2,044	1,939	1,864	1,750
$ 10,823	$ 10,945	$ 11,262	$ 11,333
8,570	8,692	9,009	9,080
380.38%	385.80%	399.87%	403.02%
-	-	-	-
-	-	-	-
-	-	-	-
8,779	9,006	9,398	9,583
-	-	-	-
8,779	9,006	9,398	9,583
2,044	1,939	1,864	1,750
$ 10,823	$ 10,945	$ 11,262	$ 11,333

MOUNT HOPE REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1994-95 TO 2008-09 (BASE YEAR 1982-83)
(UNAUDITED)

	Base Year 1982-83	1994-95	1995-96
GROSS			
Secured - Locally Assessed	$ 18,484	$ 72,446	$ 69,736
Public Utilities - State Assessed	716	-	-
Total Secured Valuation	19,200	72,446	69,736
Unsecured - Locally Assessed	24	6,742	9,994
Total Gross Valuation	19,224	79,188	79,730
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	443	1,124	1,153
Unsecured - Locally Assessed	-	3	3
Total Exemptions	443	1,127	1,156
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	18,041	71,322	68,583
Public Utilities - State Assessed	716	-	-
Net Secured	18,757	71,322	68,583
Unsecured - Locally Assessed	24	6,739	9,991
NET ASSESSED VALUATION FOR TAX RATE	$ 18,781	$ 78,061	$ 78,574
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		59,280	59,793
Percentage Increase (Decrease) Over Base Year		315.64%	318.37%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 1,414	$ 1,356	$ 1,399
Total Homeowners' Exemptions	1,414	1,356	1,399
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	16,627	69,966	67,184
Public Utilities - State Assessed	716	-	-
Net Secured	17,343	69,966	67,184
Unsecured - Locally Assessed	24	6,739	9,991
NET ASSESSED VALUATION	$ 17,367	$ 76,705	$ 77,175

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

1996-97	1997-98	Revised Base Year 1982-83	1998-99	1999-2000	2000-01	2001-02
$ 70,232	$ 72,740	$ 18,484	$ 75,324	$ 77,535	$ 90,378	$ 96,022
-	-	-	-	-	-	-
70,232	72,740	18,484	75,324	77,535	90,378	96,022
10,271	12,224	24	18,209	18,325	15,642	16,268
80,503	84,964	18,508	93,533	95,860	106,020	112,290
1,248	1,364	443	1,306	1,271	1,186	905
9	25	-	9	-	7	-
1,257	1,389	443	1,315	1,271	1,193	905
68,984	71,376	18,041	74,018	76,264	89,192	95,117
-	-	-	-	-	-	-
68,984	71,376	18,041	74,018	76,264	89,192	95,117
10,262	12,199	24	18,200	18,325	15,635	16,268
$ 79,246	$ 83,575	$ 18,065	$ 92,218	$ 94,589	$ 104,827	$ 111,385
60,465	64,794		74,153	76,524	86,762	93,320
321.95%	345.00%		410.48%	423.60%	480.28%	516.58%
$ 1,442	$ 1,519	$ 1,414	$ 1,532	$ 1,518	$ 1,518	$ 1,526
1,442	1,519	1,414	1,532	1,518	1,518	1,526
67,542	69,857	16,627	72,496	74,746	87,674	93,591
-	-	-	-	-	-	-
67,542	69,857	16,627	72,496	74,746	87,674	93,591
10,262	12,199	24	18,200	18,325	15,635	16,268
$ 77,804	$ 82,056	$ 16,651	$ 90,686	$ 93,071	$ 103,309	$ 109,859

Continued on next page

MOUNT HOPE REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1994-95 TO 2008-09 (BASE YEAR 1982-83)
(UNAUDITED)

	2002-03	2003-04	2004-05
GROSS			
Secured - Locally Assessed	$ 100,959	$ 108,817	$ 120,601
Public Utilities - State Assessed	-	-	-
Total Secured Valuation	100,959	108,817	120,601
Unsecured - Locally Assessed	20,592	18,539	18,263
Total Gross Valuation	121,551	127,356	138,864
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	905	9,748	12,392
Unsecured - Locally Assessed	-	7	1,800
Total Exemptions	905	9,755	14,192
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	100,054	99,069	108,209
Public Utilities - State Assessed	-	-	-
Net Secured	100,054	99,069	108,209
Unsecured - Locally Assessed	20,592	18,532	16,463
NET ASSESSED VALUATION FOR TAX RATE	$ 120,646	$ 117,601	$ 124,672
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	102,581	99,536	106,607
Percentage Increase (Decrease) Over Base Year	567.84%	550.99%	590.13%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 1,557	$ 1,589	$ 1,651
Total Homeowners' Exemptions	1,557	1,589	1,651
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	98,497	97,480	106,558
Public Utilities - State Assessed	-	-	-
Net Secured	98,497	97,480	106,558
Unsecured - Locally Assessed	20,592	18,532	16,463
NET ASSESSED VALUATION	$ 119,089	$ 116,012	$ 123,021

2005-06	2006-07	2007-08	2008-09
$ 130,153	$ 143,370	$ 159,305	$ 167,245
-	-	-	-
130,153	143,370	159,305	167,245
23,294	24,099	24,322	26,352
153,447	167,469	183,627	193,597
12,689	12,941	14,341	5,846
1,662	1,107	1,402	1,295
14,351	14,048	15,743	7,141
117,464	130,429	144,964	161,399
-	-	-	-
117,464	130,429	144,964	161,399
21,632	22,992	22,920	25,057
$ 139,096	$ 153,421	$ 167,884	$ 186,456
121,031	135,356	149,819	168,391
669.98%	749.27%	829.33%	932.14%
$ 1,630	$ 1,694	$ 1,610	$ 1,617
1,630	1,694	1,610	1,617
115,834	128,735	143,354	159,782
-	-	-	-
115,834	128,735	143,354	159,782
21,632	22,992	22,920	25,057
$ 137,466	$ 151,727	$ 166,274	$ 184,839

NAVAL TRAINING CENTER REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1999-2000 TO 2008-09 (BASE YEAR 1999-2000)
(UNAUDITED)

	Base Year 1999-2000	1999-2000	2000-01
GROSS			
Secured - Locally Assessed	$ -	$ -	$ -
Total Secured Valuation	-	-	-
Unsecured - Locally Assessed	-	44	68
Total Gross Valuation	-	44	68
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	-	-	-
Unsecured - Locally Assessed	-	-	12
Total Exemptions	-	-	12
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	-	-	-
Net Secured	-	-	-
Unsecured - Locally Assessed	-	44	56
NET ASSESSED VALUATION FOR TAX RATE	$ -	$ 44	$ 56
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		44	56
Percentage Increase (Decrease) Over Base Year		N/A	N/A
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ -	$ -	$ -
Total Homeowners' Exemptions	-	-	-
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	-	-	-
Net Secured	-	-	-
Unsecured - Locally Assessed	-	44	56
NET ASSESSED VALUATION	$ -	$ 44	$ 56

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
$ -	$ 11,090	$ 100,366	$ 209,737	$ 352,054	$ 391,692	$ 430,423	$ 502,817
-	11,090	100,366	209,737	352,054	391,692	430,423	502,817
-	8	481	541	2,226	6,794	44,697	32,060
-	11,098	100,847	210,278	354,280	398,486	475,120	534,877
-	-	-	13,385	16,504	7,051	51,190	65,320
-	-	-	-	1,715	3,158	38,735	16,584
-	-	-	13,385	18,219	10,209	89,925	81,904
-	11,090	100,366	196,352	335,550	384,641	379,233	437,497
-	11,090	100,366	196,352	335,550	384,641	379,233	437,497
-	8	481	541	511	3,636	5,962	15,476
$ -	$ 11,098	$ 100,847	$ 196,893	$ 336,061	$ 388,277	$ 385,195	$ 452,973
-	11,098	100,847	196,893	336,061	388,277	385,195	452,973
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
$ -	$ -	$ -	$ 399	$ 1,301	$ 1,648	$ 1,631	$ 1,637
-	-	-	399	1,301	1,648	1,631	1,637
-	11,090	100,366	195,953	334,249	382,993	377,602	435,860
-	11,090	100,366	195,953	334,249	382,993	377,602	435,860
-	8	481	541	511	3,636	5,962	15,476
$ -	$ 11,098	$ 100,847	$ 196,494	$ 334,760	$ 386,629	$ 383,564	$ 451,336

NORTH BAY REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1999-2000 TO 2008-09 (BASE YEAR 1999-2000)
(UNAUDITED)

	Base Year 1999-2000	1999-2000	2000-01
GROSS			
Secured - Locally Assessed	$ 665,470	$ 737,249	$ 784,329
Public Utilities - State Assessed	4,917	8,101	8,274
Total Secured Valuation	670,387	745,350	792,603
Unsecured - Locally Assessed	76,363	98,094	89,629
Total Gross Valuation	746,750	843,444	882,232
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	63,278	61,649	62,940
Unsecured - Locally Assessed	-	-	7,945
Total Exemptions	63,278	61,649	70,885
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	602,192	675,600	721,389
Public Utilities - State Assessed	4,917	8,101	8,274
Net Secured	607,109	683,701	729,663
Unsecured - Locally Assessed	76,363	98,094	81,684
NET ASSESSED VALUATION FOR TAX RATE	$ 683,472	$ 781,795	$ 811,347
INCREMENT			
Net Assessed Valuation increase (Decrease) Over Base Year		98,323	127,875
Percentage Increase (Decrease) Over Base Year		14.39%	18.71%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ -	$ 2,153	$ 2,222
Unsecured - Locally Assessed	-	-	35
Total Homeowners' Exemptions	-	2,153	2,257
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	602,192	673,447	719,167
Public Utilities - State Assessed	4,917	8,101	8,274
Net Secured	607,109	681,548	727,441
Unsecured - Locally Assessed	76,363	98,094	81,649
NET ASSESSED VALUATION	$ 683,472	$ 779,642	$ 809,090

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

2001-02	Revised Base Year 1999-2000	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
$ 828,519	$ 671,088	$ 879,653	$ 907,188	$ 969,695	$ 1,049,980	$ 1,210,657	$ 1,402,190
8,440	4,917	7,603	6,570	6,253	6,375	5,971	-
836,959	676,005	887,256	913,758	975,948	1,056,355	1,216,628	1,402,190
84,023	76,363	92,229	103,680	102,426	104,798	117,423	112,534
920,982	752,368	979,485	1,017,438	1,078,374	1,161,153	1,334,051	1,514,724
60,979	63,278	72,720	36,897	43,514	45,075	49,204	53,369
6,530	-	3,177	5,769	5,825	8,003	11,658	7,180
67,509	63,278	75,897	42,666	49,339	53,078	60,862	60,549
767,540	607,810	806,933	870,291	926,181	1,004,905	1,161,453	1,348,821
8,440	4,917	7,603	6,570	6,253	6,375	5,971	-
775,980	612,727	814,536	876,861	932,434	1,011,280	1,167,424	1,348,821
77,493	76,363	89,052	97,911	96,601	96,795	105,765	105,354
$ 853,473	$ 689,090	$ 903,588	$ 974,772	$ 1,029,035	$ 1,108,075	$ 1,273,189	$ 1,454,175
170,001		214,498	285,682	339,945	418,985	584,099	765,085
24.87%		31.13%	41.46%	49.33%	60.80%	84.76%	111.03%
$ 2,271	$ -	$ 2,286	$ 2,300	$ 2,237	$ 2,328	$ 2,359	$ 2,649
49	-	42	56	41	7	7	37
2,320	-	2,328	2,356	2,278	2,335	2,366	2,686
765,269	607,810	804,647	867,991	923,944	1,002,577	1,159,094	1,346,172
8,440	4,917	7,603	6,570	6,253	6,375	5,971	-
773,709	612,727	812,250	874,561	930,197	1,008,952	1,165,065	1,346,172
77,444	76,363	89,010	97,855	96,560	96,788	105,758	105,317
$ 851,153	$ 689,090	$ 901,260	$ 972,416	$ 1,026,757	$ 1,105,740	$ 1,270,823	$ 1,451,489

NORTH BAY REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1999-2000 TO 2008-09 (BASE YEAR 1999-2000)
(UNAUDITED)

	Revised Base Year 1999-2000	2008-09
GROSS		
Secured - Locally Assessed	$ 667,570	$ 1,478,969
Public Utilities - State Assessed	53	-
Total Secured Valuation	667,623	1,478,969
Unsecured - Locally Assessed	76,363	129,587
Total Gross Valuation	743,986	1,608,556
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)		
Secured - Locally Assessed	63,278	66,857
Unsecured - Locally Assessed	-	8,607
Total Exemptions	63,278	75,464
NET ASSESSED VALUATIONS FOR TAX RATE		
Secured - Locally Assessed	604,292	1,412,112
Public Utilities - State Assessed	53	-
Net Secured	604,345	1,412,112
Unsecured - Locally Assessed	76,363	120,980
NET ASSESSED VALUATION FOR TAX RATE	$ 680,708	$ 1,533,092
INCREMENT		
Net Assessed Valuation Increase (Decrease) Over Base Year		852,384
Percentage Increase (Decrease) Over Base Year		125.22%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS		
Secured - Locally Assessed	$ -	$ 2,883
Unsecured - Locally Assessed	-	78
Total Homeowners' Exemptions	-	2,961
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS		
Secured - Locally Assessed	604,292	1,409,229
Public Utilities - State Assessed	53	-
Net Secured	604,345	1,409,229
Unsecured - Locally Assessed	76,363	120,902
NET ASSESSED VALUATION	$ 680,708	$ 1,530,131

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

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NORTH PARK REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1999-2000 TO 2008-09 (BASE YEAR 1999-2000)
(UNAUDITED)

	Base Year 1999-2000	1999-2000	2000-01
GROSS			
Secured - Locally Assessed	$ 421,648	$ 453,872	$ 486,289
Total Secured Valuation	421,648	453,872	486,289
Unsecured - Locally Assessed	10,814	15,822	16,214
Total Gross Valuation	432,462	469,694	502,503
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	8,911	8,912	9,775
Unsecured - Locally Assessed	-	-	305
Total Exemptions	8,911	8,912	10,080
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	412,737	444,960	476,514
Net Secured	412,737	444,960	476,514
Unsecured - Locally Assessed	10,814	15,822	15,909
NET ASSESSED VALUATION FOR TAX RATE	$ 423,551	$ 460,782	$ 492,423
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		37,231	68,872
Percentage Increase (Decrease) Over Base Year		8.79%	16.26%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ -	$ 5,228	$ 5,410
Total Homeowners' Exemptions	-	5,228	5,410
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	412,737	439,732	471,104
Net Secured	412,737	439,732	471,104
Unsecured - Locally Assessed	10,814	15,822	15,909
NET ASSESSED VALUATION	$ 423,551	$ 455,554	$ 487,013

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
$ 528,168	$ 571,211	$ 628,854	$ 707,419	$ 828,989	$ 953,399	$ 1,129,916	$ 1,179,744
528,168	571,211	628,854	707,419	828,989	953,399	1,129,916	1,179,744
15,355	15,780	20,267	17,587	16,948	17,946	18,771	18,453
543,523	586,991	649,121	725,006	845,937	971,345	1,148,687	1,198,197
9,691	10,735	11,675	12,536	13,282	14,545	15,105	28,173
446	115	675	701	656	657	1,611	1,294
10,137	10,850	12,350	13,237	13,938	15,202	16,716	29,467
518,477	560,476	617,179	694,883	815,707	938,854	1,114,811	1,151,571
518,477	560,476	617,179	694,883	815,707	938,854	1,114,811	1,151,571
14,909	15,665	19,592	16,886	16,292	17,289	17,160	17,159
$ 533,386	$ 576,141	$ 636,771	$ 711,769	$ 831,999	$ 956,143	$ 1,131,971	$ 1,168,730
109,835	152,590	213,220	288,218	408,448	532,592	708,420	745,179
26.93%	36.03%	50.34%	68.05%	96.43%	125.74%	167.26%	175.94%
$ 5,624	$ 5,676	$ 5,741	$ 6,042	$ 6,815	$ 7,132	$ 7,687	$ 8,687
5,624	5,676	5,741	6,042	6,815	7,132	7,687	8,687
512,853	554,800	611,438	688,841	808,892	931,722	1,107,124	1,142,884
512,853	554,800	611,438	688,841	808,892	931,722	1,107,124	1,142,884
14,909	15,665	19,592	16,886	16,292	17,289	17,160	17,159
$ 527,762	$ 570,465	$ 631,030	$ 705,727	$ 825,184	$ 949,011	$ 1,124,284	$ 1,160,043

SAN YSIDRO REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1997-98 TO 2008-09 (BASE YEAR 1996-97)
(UNAUDITED)

	Base Year 1996-97	1997-98	1998-99	1999-2000
GROSS				
Secured - Locally Assessed	$ 214,166	$ 214,360	$ 219,810	$ 228,338
Total Secured Valuation	214,166	214,360	219,810	228,338
Unsecured - Locally Assessed	10,431	4,670	10,739	10,870
Total Gross Valuation	224,597	219,030	230,549	239,208
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)				
Secured - Locally Assessed	23,960	26,042	26,857	27,554
Unsecured - Locally Assessed	-	-	23	58
Total Exemptions	23,960	26,042	26,880	27,612
NET ASSESSED VALUATIONS FOR TAX RATE				
Secured - Locally Assessed	190,206	188,318	192,953	200,784
Net Secured	190,206	188,318	192,953	200,784
Unsecured - Locally Assessed	10,431	4,670	10,716	10,812
NET ASSESSED VALUATION FOR TAX RATE	$ 200,637	$ 192,988	$ 203,669	$ 211,596
INCREMENT				
Net Assessed Valuation Increase (Decrease) Over Base Year		(7,649)	3,032	10,959
Percentage Increase (Decrease) Over Base Year		-3.81%	1.51%	5.46%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS				
Secured - Locally Assessed	$ 1,250	$ 1,287	$ 1,281	$ 1,260
Total Homeowners' Exemptions	1,250	1,287	1,281	1,260
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS				
Secured - Locally Assessed	188,956	187,031	191,672	199,524
Net Secured	188,956	187,031	191,672	199,524
Unsecured - Locally Assessed	10,431	4,670	10,716	10,812
NET ASSESSED VALUATION	$ 199,387	$ 191,701	$ 202,388	$ 210,336

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
$ 244,704	$ 295,357	$ 356,615	$ 378,030	$ 407,588	$ 490,915	$ 580,274	$ 607,957	$ 802,708
244,704	295,357	356,615	378,030	407,588	490,915	580,274	607,957	802,708
11,982	14,042	19,867	25,139	26,329	25,219	32,992	35,640	36,361
256,686	309,399	376,482	403,169	433,917	516,134	613,266	643,597	839,069
29,730	13,127	54,484	55,014	56,517	58,099	59,214	60,704	61,190
72	137	-	1,814	1,439	686	1,626	1,553	1,242
29,802	13,264	54,484	56,828	57,956	58,785	60,840	62,257	62,432
214,974	282,230	302,131	323,016	351,071	432,816	521,060	547,253	741,518
214,974	282,230	302,131	323,016	351,071	432,816	521,060	547,253	741,518
11,910	13,905	19,867	23,325	24,890	24,533	31,366	34,087	35,119
$ 226,884	$ 296,135	$ 321,998	$ 346,341	$ 375,961	$ 457,349	$ 552,426	$ 581,340	$ 776,637
26,247	95,498	121,361	145,704	175,324	256,712	351,789	380,703	576,000
13.08%	47.60%	60.49%	72.62%	87.38%	127.95%	175.34%	189.75%	287.09%
$ 1,224	$ 1,551	$ 1,540	$ 1,603	$ 1,809	$ 1,865	$ 1,869	$ 1,889	$ 1,967
1,224	1,551	1,540	1,603	1,809	1,865	1,869	1,889	1,967
213,750	280,679	300,591	321,413	349,262	430,950	519,191	545,364	739,551
213,750	280,679	300,591	321,413	349,262	430,950	519,191	545,364	739,551
11,910	13,905	19,867	23,325	24,890	24,533	31,366	34,087	35,119
$ 225,660	$ 294,584	$ 320,458	$ 344,738	$ 374,152	$ 455,483	$ 550,557	$ 579,451	$ 774,670

SOUTHCREST REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1994-95 TO 2008-09 (BASE YEAR 1986-87)
(UNAUDITED)

	Base Year 1986-87	1994-95	1995-96
GROSS			
Secured - Locally Assessed	$ 46,450	$ 73,398	$ 77,638
Public Utilities - State Assessed	2,402	-	-
Total Secured Valuation	48,852	73,398	77,638
Unsecured - Locally Assessed	856	2,170	2,360
Total Gross Valuation	49,708	75,568	79,998
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	2,501	5,607	4,609
Unsecured - Locally Assessed	-	10	-
Total Exemptions	2,501	5,617	4,609
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	43,949	67,791	73,029
Public Utilities - State Assessed	2,402	-	-
Net Secured	46,351	67,791	73,029
Unsecured - Locally Assessed	856	2,160	2,360
NET ASSESSED VALUATION FOR TAX RATE	$ 47,207	$ 69,951	$ 75,389
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year		22,744	28,182
Percentage Increase (Decrease) Over Base Year		48.18%	59.70%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 3,080	$ 3,114	$ 3,059
Total Homeowners' Exemptions	3,080	3,114	3,059
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	40,869	64,677	69,970
Public Utilities - State Assessed	2,402	-	-
Net Secured	43,271	64,677	69,970
Unsecured - Locally Assessed	856	2,160	2,360
NET ASSESSED VALUATION	$ 44,127	$ 66,837	$ 72,330

Source: Based on information provided by the County of San Diego as of June 30th of the reported fiscal year.

1996-97	1997-98	Revised Base Year 1986-87	1998-99	1999-2000	2000-01	2001-02
$ 83,305	$ 87,161	$ 46,450	$ 91,217	$ 95,970	$ 102,246	$ 110,325
-	-	343	-	-	-	-
83,305	87,161	46,793	91,217	95,970	102,246	110,325
2,418	1,019	856	5,647	5,208	5,647	4,190
85,723	88,180	47,649	96,864	102,178	107,893	114,515
4,705	3,503	2,501	3,670	4,002	4,519	6,550
-	-	-	-	18	-	91
4,705	3,503	2,501	3,670	4,020	4,519	6,641
78,600	83,658	43,949	87,547	92,968	97,727	103,775
-	-	343	-	-	-	-
78,600	83,658	44,292	87,547	92,968	97,727	103,775
2,418	1,019	856	5,647	5,190	5,647	4,099
$ 81,018	$ 84,677	$ 45,148	$ 93,194	$ 98,158	$ 103,374	$ 107,874
33,611	37,470		48,046	53,010	58,226	62,726
71.82%	79.37%		106.42%	117.41%	128.97%	138.93%
$ 3,094	$ 3,234	$ 3,080	$ 3,289	$ 3,401	$ 3,410	$ 3,559
3,094	3,234	3,080	3,289	3,401	3,410	3,559
75,506	80,424	40,869	84,258	89,567	94,317	100,216
-	-	343	-	-	-	-
75,506	80,424	41,212	84,258	89,567	94,317	100,216
2,418	1,019	856	5,647	5,190	5,647	4,099
$ 77,924	$ 81,443	$ 42,068	$ 89,905	$ 94,757	$ 99,964	$ 104,315

Continued on next page

SOUTHCREST REDEVELOPMENT PROJECT
ASSESSED VALUATIONS (IN THOUSANDS) OF THE PROJECT AREA TAXABLE PROPERTY (100% OF FULL VALUE)
FISCAL YEAR 1994-95 TO 2008-09 (BASE YEAR 1986-87)
(UNAUDITED)

	2002-03	2003-04	2004-05
GROSS			
Secured - Locally Assessed	$ 120,858	$ 132,013	$ 158,002
Public Utilities - State Assessed	-	-	-
Total Secured Valuation	120,858	132,013	158,002
Unsecured - Locally Assessed	4,649	4,557	3,753
Total Gross Valuation	125,507	136,570	161,755
EXEMPTIONS (EXCLUDING HOMEOWNERS' AND BUSINESS INVENTORY)			
Secured - Locally Assessed	6,569	8,772	7,738
Unsecured - Locally Assessed	-	19	139
Total Exemptions	6,569	8,791	7,877
NET ASSESSED VALUATIONS FOR TAX RATE			
Secured - Locally Assessed	114,289	123,241	150,264
Public Utilities - State Assessed	-	-	-
Net Secured	114,289	123,241	150,264
Unsecured - Locally Assessed	4,649	4,538	3,614
NET ASSESSED VALUATION FOR TAX RATE	$ 118,938	$ 127,779	$ 153,878
INCREMENT			
Net Assessed Valuation Increase (Decrease) Over Base Year	73,790	82,631	108,730
Percentage Increase (Decrease) Over Base Year	163.44%	183.02%	240.83%
STATE SUBVENTIONS HOMEOWNERS' EXEMPTIONS			
Secured - Locally Assessed	$ 3,581	$ 3,573	$ 3,602
Total Homeowners' Exemptions	3,581	3,573	3,602
NET ASSESSED VALUATION AFTER ALL EXEMPTIONS			
Secured - Locally Assessed	110,708	119,668	146,662
Public Utilities - State Assessed	-	-	-
Net Secured	110,708	119,668	146,662
Unsecured - Locally Assessed	4,649	4,538	3,614
NET ASSESSED VALUATION	$ 115,357	$ 124,206	$ 150,276

2005-06	2006-07	2007-08	2008-09
$ 205,179	$ 246,256	$ 292,325	$ 307,867
-	-	-	-
205,179	246,256	292,325	307,867
4,158	2,888	12,415	13,122
209,337	249,144	304,740	320,989
14,993	15,827	17,034	17,862
73	34	73	127
15,066	15,861	17,107	17,989
190,186	230,429	275,291	290,005
-	-	-	-
190,186	230,429	275,291	290,005
4,085	2,854	12,342	12,995
$ 194,271	$ 233,283	$ 287,633	$ 303,000
149,123	188,135	242,485	257,862
330.30%	416.71%	537.09%	571.13%
$ 4,102	$ 4,186	$ 4,354	$ 4,564
4,102	4,186	4,354	4,564
186,084	226,243	270,937	285,441
-	-	-	-
186,084	226,243	270,937	285,441
4,085	2,854	12,342	12,995
$ 190,169	$ 229,097	$ 283,279	$ 298,436

APPENDIX D

SUMMARY OF CERTAIN ADDITIONAL PROVISIONS OF THE AGREEMENTS

Certain provisions of the Agreements (the "Trust Agreements") are discussed in the body of this Official Statement. The following are summaries of certain additional provisions of the Trust Agreements 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

The following terms shall, for the purposes of the Trust Agreements and this summary, have the meanings set forth below, unless the context clearly indicates some other meaning.

"Accreted Value" means, with respect to Capital Appreciation Bonds, as of any date of calculation, the sum of the initial amount thereof and the interest accrued and compounded thereon, as determined in accordance with the provisions of the Second Supplemental Trust Agreement authorizing issuance of such Bonds, to such date of calculation.

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

"Authorized Agency Representative" means the Executive Director, Assistant Executive Director or any Deputy Executive Director of the Agency and any other persons who have been so designated in writing by the Executive Director or by resolution of the Agency.

"Authorized Denominations" means $5,000 and any integral multiples thereof.

"Book-Entry Bonds" means Bonds of any Series registered in the name of the nominee of a depository as the Owner thereof pursuant to the terms and provisions of the Master Trust Agreement

"Bond" or "Bonds" means indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations issued under the provisions of the Master Trust Agreement. "Bond" or "Bonds" includes Parity Bonds, but shall not include any subordinated obligations incurred by the Agency as permitted hereunder or indebtedness payable from sources other than Pledged Tax Revenues.

"Bondholder," "Holder" or "Owner" means the person in whose name any Bond or Bonds are registered on the books maintained by the registrar of the Bonds.

"Bond Year" means the twelve month period ending on September 2 of each year.

"Business Day' means any day other than a Saturday, Sunday, or day on which banks in the State of California or the city in which the principal corporate trust office of the Trustee is located are authorized or obligated by law or executive order to close.

"Capital Appreciation Bonds" means any Bonds so described in a Supplemental Trust Agreement authorizing the issuance of such Bonds, wherein the interest on such Bonds is not payable on a current basis but is included in the Accreted Value of such Bonds.

"Capitalized Interest" means the amount, if any, derived from the proceeds of Bonds, which is used to pay interest on the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended., and the United States Treasury Regulations, proposed or in effect with respect thereto.

"Debt Service Fund" means the fund by that name created under the Master Trust Agreement.

"Final Compounded Amount" means the Accreted Value of a Capital Appreciation Bond at maturity.

"Fiscal Year" means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the Agency designates in writing to the Trustee and any Insurer as its fiscal year.

"Government Obligations" means (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, (ii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (i), and (iii) direct obligations of agencies of the United States of America which obligations are rated "Aaa" by Moody's and "AAA" by S&P.

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

"Housing Trust Fund" means the fund or funds created pursuant to the Master Trust Agreement for the purpose of holding proceeds of Bonds payable from Housing Tax Revenues.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the Agency, and who, or each of whom: (a) is in fact independent and not under the domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency, other than as a purchaser of Bonds; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Independent Redevelopment Consultant" or "Redevelopment Consultant" means any consultant or firm of such consultants appointed by the Agency, and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the levy and collection of tax increment revenues or otherwise with respect to the financing of redevelopment projects, (b) is in fact independent and not under the domination of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency, other than as a purchaser of Bonds; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Interest Account" means the trust account by that name established within the Debt Service Fund pursuant to the Master Trust Agreement.

"Interest Payment Date" means March 1 and September 1 of each year.

"Law" or "Redevelopment Law" means the Community Redevelopment Law of the State of California, as cited in the recitals of the Master Trust Agreement.

"Maximum Annual Debt Service" means, at any point in time, with respect to all or a portion of the Bonds then Outstanding, the maximum amount of Annual Debt Service becoming due in the then current or any future Bond Year for such Bonds, calculated by the Agency or by an Independent Accountant as provided in this definition. For purposes of calculating Maximum Annual Debt Service, as used in determining the Reserve Fund Requirement and as used in the Master Trust Agreement, the following assumptions shall be used to calculate the principal, Accreted Value and interest becoming due in any Bond Year:

(i) in determining the principal amount due in each year, payment shall be assumed to be made in accordance with any amortization schedule established for such debt, including any scheduled

redemption of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment shall be deemed a principal payment;

(ii) if moneys or non-callable Government Obligations have been irrevocably deposited with and are held by the Trustee or another fiduciary to be used to pay principal, Accreted Value, premium, if any, and/or interest on specified Bonds in an amount to be determined by the Agency or an Independent Accountant to be sufficient for said purpose(s), then the principal, Accreted Value, premium, if any, and/or interest to be paid from such moneys, non-callable Government Obligations or from the earnings thereon shall be disregarded and not included in calculating Maximum Annual Debt Service.

For purposes of calculating Maximum Annual Debt Service, there shall be excluded the principal and Accreted Value of and interest on any Bonds to the extent the proceeds thereof are then deposited in an escrow fund from which amounts may not be released to the Agency unless the amount of Tax Revenues (determined in accordance with the provisions of the Master Trust Agreement), for the most recent Bond Year (as evidenced in a written certificate of an Independent Redevelopment Consultant furnished to the Trustee) at least equals 125% of the amount of Maximum Annual Debt Service which would result if the amount on deposit in such escrow fund were to be released to the Agency from such escrow fund in accordance with the terms of the related Supplemental Trust Agreement, then, for the purposes of calculating Maximum Annual Debt Service, Annual Debt Service on such Bonds shall be determined as if the amounts then on deposit in the escrow fund were withdrawn therefrom and applied to pay or redeem such Bonds in accordance with the terms of the related Supplemental Trust Agreement (provided that the amounts then on deposit in the escrow fund shall have been certified by an Independent Accountant to be sufficient for such purposes).

"Ordinance No. 0-17768" or "Ordinance" means the Ordinance of the City Council of the City of San Diego adopting the Redevelopment Plan, as from time to time amended.

"Outstanding" or "Bonds Outstanding" or "Outstanding Bonds" means all Bonds which have been authenticated and delivered under the Master Trust Agreement, except:

(a) Bonds canceled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the date represented thereby;

(b) Bonds deemed to be paid in accordance with Article VII of the Master Trust Agreement;

(c) Bonds in lieu of which other Bonds have been authenticated under the Master Trust Agreement;

(d) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys (other than proceeds of a Municipal Bond Insurance Policy or a Reserve Fund Insurance. Policy), including interest accrued to the due date, are held by the Trustee or a Paying Agent;

(e) Bonds which, under the terms of the Supplemental Trust Agreement pursuant to which they were issued are deemed to be no longer Outstanding; and

(f) for purposes of any consent or other action to be taken by the Owners of a specified percentage of Bonds under the Master Trust Agreement, Bonds held by or for the account of the Agency or by any person controlling, controlled by or under common control with the Agency, unless such Bonds are pledged to sure a debt to an unrelated party, in which case such Bonds shall, for purposes of consents and other Bondholder actions, be deemed to be Outstanding and owned by the party to which such Bonds are pledged.

"Parity Bonds" means tax allocation bonds, loans and any other indebtedness payable from the Tax Revenues pursuant to the terms of the Master Trust Agreement.

"Pledged Tax Revenues" means all Project Tax Revenues received by the Agency, or by the Trustee on behalf of the Agency, in an amount that is equal to Annual Debt Service for the Bonds for that Bond Year, plus an amount, if any, equal to the amount required to maintain the Reserve Fund at the Reserve Requirement.

"Principal Account" means the trust account of that name established within the Debt Service Fund pursuant to the Master Trust Agreement.

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

"Record Date" means, with respect to any Series of Bonds, the record date as specified in the Supplemental Trust Agreement which provides for the issuance of such Series.

"Redevelopment Fund" means the fund created for the purpose of financing a portion of the cost of the Redevelopment Project, which fund is created by the Master Trust Agreement and the Redevelopment Law.

"Redevelopment Law" means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the California Health and Safety Code, and the acts amendatory thereof and supplemental thereto.

"Redevelopment Plan" means the redevelopment plan approved and adopted by the City Council of the City of San Diego, California by Ordinances No. 0-17768 and 0-18294 (as amended) and includes any amendment of said plan heretofore or hereafter made pursuant to the Redevelopment Law.

"Redevelopment Project" meant the project of carrying out, pursuant to the Law, the Redevelopment Plan or any other redevelopment purpose.

"Redevelopment Project Area" means the project area described and defined in Ordinances No. 0-17768 and 0-18294 (as amended), which project area is known and designated as the "City Heights Redevelopment Project."

"Reserve Fund" means the trust account of that name created pursuant to the Master Trust Agreement.

"Reserve Fund Requirement" initially means, for each Series of Bonds, the lesser of Maximum Annual Debt Service on the Outstanding Bonds, 125% of average Annual Debt Service on the Outstanding Bonds, the amount equal to 10% of the proceeds of such Series of Bonds or such other amount as is set forth in the applicable Supplemental Trust Agreement.; and thereafter shall mean the lesser of the initial amounts deposited for all Outstanding Bonds or Maximum Annual Debt Service on the Outstanding Bonds. The Reserve Fund Requirement shall be calculated by the Agency and is subject to the limitation that the deposit into a Reserve Fund of the proceeds of a tax-exempt Series of Bonds to meet the Reserve Fund Requirement shall never exceed an amount which would, in the opinion of Bond Counsel, be determined to be a reasonably required reserve fund within the meaning of the Code and the rulings issued by the United States Department of the Treasury. For purposes of determining if the amount on deposit in the Reserve Fund meets the Reserve Fund Requirement, any Reserve Fund Insurance Policy deposited with the Trustee shall be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided and investments may be valued at the higher of cost or market value.

"Revenue Fund" means the trust account by that name created pursuant to the Master Trust Agreement.

"Series" means Bonds issued at the same time or sharing some other common term or characteristic and designated by the Agency as a separate series in a Supplemental Trust Agreement.

"Supplemental Trust Agreement" means any supplemental trust agreement then in full force and effect which has been duly approved by resolution of the Agency and signed by the Agency and the Trustee and

providing for the issuance of a Series or multiple Series of Bonds, amending and/or supplementing the Master Trust Agreement or amending and/or supplementing another Supplemental Trust Agreement.

"Tax Increment Limitation" or "Plan Limit" means the limitation of $713,000,000 which is the maximum amount of Tax Revenues which may be paid to the Agency for the Redevelopment Project, as said limitation may be amended from time to time pursuant to Section 33333.2 of the Redevelopment Law.

"Tax Revenues" means that portion of taxes levied (including all payments, reimbursements and subventions paid by the State, if any, specifically attributable to ad valorem taxes lost by reason of business inventory tax or other exemptions and tax rate limitations) upon taxable property in the Redevelopment Project Area which is allocated to and paid into a special fund of the Agency pursuant to Article 6 of Chapter 6 of the Law, Section 16 of Article XVI of the Constitution of the State of California and the Redevelopment Plan, subject to the Tax Increment Limitation, but excluding payments, if any, made to the County of San Diego as an administrative fee pursuant to SB 2557 and excluding moneys reserved to taxing entities under Health and Safety Code Section 33676.

"Total Maturity Amount" means, with respect to any Outstanding Bond other than a Capital Appreciation Bond, the aggregate principal amount thereof and, with respect to any Outstanding Capital Appreciation Bond, the Issuance Value thereof.

MASTER TRUST AGREEMENT

General

The Master Trust Agreement authorizes issuance of the Bonds as either current interest bonds or Capital Appreciation Bonds. The Bonds shall be issued in fully registered form. The Bonds may be transferred in Authorized Denominations. All Bonds presented for transfer, redemption or payment shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the registrar of the Bonds, duly executed by the Bondholder or by his duly authorized attorney. The Agency shall pay any costs of services rendered or expenses incurred by the registrar or Trustee in connection with any exchange or transfer. The registrar may require the Bondholder to pay any tax or other governmental fee that tray be imposed in relation to the exchange or transfer. The Supplemental Trust Agreements may limit the time periods during which Bonds may be exchanged or transferred.

The Master Trust Agreement authorizes the issuance of replacement certificates if a Bond is mutilated, lost, stolen or destroyed. In such cases, the Bondholder must provide the Trustee with evidence satisfactory to the Trustee that the Bond is mutilated, lost, stolen or destroyed. The Bondholder is responsible for the Trustee's fees incurred in preparing the substitute Bond and for any applicable transfer taxes. In addition, if a Bond is lost, stolen or destroyed, the Bondholder must indemnify the Trustee with respect to the replacement of such Bond.

Application of Proceeds

The Master Trust Agreement provides for the following allocation of the initial proceeds from sale of the Bonds:

(1) deposit, as applicable, to the credit of the Interest Account the accrued interest, if any;

(2) deposit, as applicable, to the credit of the Interest Account an amount equal to the Capitalized Interest on the Bonds, if any;

(3) deposit, as applicable, to the credit of the Housing Reserve Fund and/or Project Reserve Fund, the amount necessary to meet the Reserve Fund Requirement as provided in the Supplemental Trust Agreement; and

(4) pay or deposit the balance of the proceeds as provided in the Supplemental Trust Agreement.

Revenues and Funds

Lien on Tax Revenues. The Bonds are secured by a first lien on and pledge of Tax Revenues, which lien and pledge are created by the Agency's execution of the Master Trust Agreement. The Agency agrees that until all of the authorized and issued Bonds, and the interest thereon, are paid or deemed to have been paid (except as otherwise permitted under the Master Trust Agreement), it will not grant any prior or parity pledge of Tax Revenues or create any charge or lien on the Tax Revenues ranking prior to the lien created by the Master Trust Agreement. The Agency may, in its discretion, provide additional security or credit enhancement for specified Bonds or Series of Bonds with no obligation to provide such additional security or credit enhancement to other Bonds.

Revenue Fund. The Master Trust Agreement creates the Revenue Fund, into which the Tax Revenues which are collected shall be paid. The Agency shall cause the Tax Revenues to be collected and paid to the Trustee for placement in the Revenue Fund.

Debt Service Fund. The Master Trust Agreement creates the Debt Service Fund to be held by the Trustee, including an Interest Account for each Series of Bonds and a Principal Account for each Series of Bonds.

Reserve Fund. The Master Trust Agreement also establishes the Reserve Fund, to be held by the Trustee. Moneys held in the Reserve Fund shall be used for the purpose of paying principal and interest on the Bonds if the amounts deposited in the Interest Accounts and Principal Accounts, or any of them, are on any date insufficient to pay in full the interest and/or principal or Accreted Value due on such date. The Trustee shall, at least annually, determine the market value of the Reserve Fund. If on any such valuation date, the value of the Reserve Fund exceeds the Reserve Fund Requirement, the excess over the Reserve Fund Requirement, unless otherwise provided in a Supplemental Trust Agreement, shall be transferred to the Agency to be used for any lawful purpose.

Allocation among Funds. Prior to each Interest Payment Date, the Trustee shall withdraw from the Revenue Fund an amount sufficient to make deposits among the various accounts as follows:

(a) to the Interest Account of the Debt Service Fund an amount (together with any available moneys in such account) equal to the interest payable on the Outstanding Bonds on such Interest Payment Date;

(b) to the Principal Account of the Debt. Service Fund an amount (together with any available moneys in such account) equal to the principal and Accreted Value coming due and payable (whether by maturity or mandatory sinking fund payments) on the Outstanding Bonds on such Interest Payment Date;

(c) to the Reserve Fund such portion of the balance, if any, remaining after making the deposits to the Interest Accounts and Principal Accounts described above to increase the amount on deposit in the Reserve Fund to an amount equal to the Reserve Fund Requirement; and

(d) any balance for any Bond Year remaining after the foregoing deposits, unless otherwise provided in a Supplemental Trust Agreement, shall be transferred to the Agency for use by the Agency for any lawful purpose and will no longer constitute "Pledged Tax Revenues."

Withdrawal from Debt Service Fund. The Trustee shall, on or before such amounts are due, withdraw from the respective Interest Accounts and Principal Accounts for each Series of Bonds sufficient amounts to pay the interest, principal and Accreted Value on each Series of Bonds as those amounts shall fall due.

Covenants of the Agency

Punctual Payment. The Agency will punctually pay or caused to be paid the principal and Accreted Value of and interest on the Bonds in strict conformity with the terms of the Master Trust Agreement and the

applicable Supplemental Trust Agreements, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Trust Agreements.

Limitation on Superior Debt. The Agency covenants that it will not issue any bonds, notes or other obligations, enter into any agreements or otherwise incur any Bonds, advances or indebtedness, which are in any case secured by a lien on all or any part of the Tax Revenues which is superior to or on a parity with the lien established under the Master Trust Agreement for security of the Bonds, except for any Parity Bonds permitted to be issued under the Master Trust Agreement. The Agency covenants that it will not take any action related to the expenditure of Tax Revenues which would preclude the due and timely payment of principal of Accreted Value and interest on the Bonds and that it will comply with the requirements of Section 33675 of the Redevelopment Law, including the annual filing of a "statement of indebtedness" with the Auditor-Controller of the County. Nothing in the Master Trust Agreement is intended or is to be construed in any way to prohibit or impose any limitations upon the issuance or incurrence by the Agency of subordinate debt or of indebtedness payable from Housing Tax Revenues if Housing Tax Revenues are not pledged under the Trust Agreements.

Payment of Claims. The Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds; provided, however, that the Agency is not required to make such payment, or cause such payment to be made, so long as the Agency in good faith contests the validity of said claims.

Books and Accounts; Financial Statements. The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Reserve Fund, the Housing Trust Fund and the Redevelopment Fund. Such books of records and accounts shall be open at all times during business hours to inspection by the Trustee and the Owners of any Outstanding Bonds. The Agency will cause to be prepared and sent to the Trustee annually, within 200 days after the close of each Fiscal Year so long as the Bonds are Outstanding, complete and audited financial statements with respect to such Fiscal Year showing Tax Revenues. all disbursements from the Revenue Fund and the Redevelopment Fund and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project as of the end of such Fiscal Year, The Agency will furnish a copy of such statements, upon reasonable request, to any Bond Owner.

Protection of Security and Rights. The Agency will preserve and protect the security of the Bonds and the rights of the Trustee and the Bond Owners with respect to the Bonds.

Payments of Taxes and Other Charges. The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Redevelopment Project Area, when the same shall become due. Nothing contained in the Master Trust Agreement shall require the Agency to make any such payment so long as the Agency in good faith contests the validity of said taxes, assessments or charges.

Disposition of Property. The Agency will not knowingly participate in the disposition of any land or real property in the Redevelopment Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Master Trust Agreement), so that such disposition shall, when taken together with other such dispositions, aggregate more than 10% of the aggregate assessed value in the Redevelopment Project Area. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Consultant to report on the effect of the proposed disposition. If the Independent Redevelopment Consultant's report concludes that the security of the Bonds and the rights of the Agency, the Bond Owners and the Trustee will not be materially impaired by the proposed disposition (i.e., will not cause Tax Revenues (or the applicable portion thereof) to fall below 125% of Maximum Annual Debt Service for Bonds payable from such Tax Revenues and will not impair the Agency's ability to timely repay the Bonds within the Tax Increment

Limitation), the Agency may thereafter make such disposition. If that report concludes that such security will be materially impaired by the proposed disposition, the Agency must disapprove the proposed disposition.

Maintenance of Tax Revenues. The Agency shall comply with all requirements of the Redevelopment Law to ensure the allocation and payment to it of the Tax Revenues, including the timely filing of any required statements of indebtedness with appropriate State and County officials. The Agency shall not enter into any amendment of any agreement which would have the effect of reducing the amount of Tax Revenues available to the Agency for payment of the Bonds, unless the Agency first obtains a report of an Independent Redevelopment Consultant stating that: (i) the Tax Revenues estimated to be received in the current Bond Year and in each of the three (3) succeeding Bond Years will be at least equal to 125% of Maximum Annual Debt Service payable from said Tax Revenues; and (ii) thereafter said amendment or agreement will not reduce Tax Revenues below 125% of Maximum Annual Debt Service payable from said Tax Revenues and that the amendment will not impair the Agency's ability to timely pay the principal of, Accreted Value and interest on the Bonds throughout the life of the Bonds within the constraints imposed by the Tax Increment Limitation.

Payment of Expenses; Indemnification. The Agency shall pay to the Trustee all compensation for all services rendered under the Trust Agreements within thirty (30) days of the receipt of an invoice therefor. The Agency shall indemnify and hold the Trustee and its officers, directors, agents and employees harmless from any costs, losses, expenses and liabilities the Trustee may incur arising out of or in the exercise and performance of its powers and duties under the Trust Agreements, excluding any losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. Upon the occurrence of an Event of Default described under subparagraphs (a), (b) or (c) of "Events of Default" below, the Trustee shall have a first lien on the Pledged Tax Revenues and the Reserve Fund to secure the payment to the Trustee, Registrar and Paying Agent (as those terms are defined in the Trust Agreement) of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII of the Master Trust Agreement.

Redevelopment of Redevelopment Proiect Area The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Redevelopment Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Redevelopment Law. The Agency covenants to deposit, or caused to be deposits in the Redevelopment Fund all amounts when.. as and if regained to be deposited therein pursuant to the Redevelopment Law. The Agency shall take any and all further actions necessary to enforce the lien and pledge of all Tax Revenues lawfully received by the Agency from all properties within the Redevelopment Project Area for payment of principal of, Accreted Value and interest on the Bonds to the fullest extent permitted by law.

Amendment of Redevelopment Plan. The Redevelopment Plan may be amended as provided in the Redevelopment Law, but no amendment shall be made: (i) which would cause, in the Bond Year following such amendment, Tax Revenues to fall below 125% of Maximum Animal Debt Service payable from such Tax Revenues; or (ii) which will impair the Agency's ability to timely pay the principal of, Accreted Value and interest on the Bonds throughout the life of the Bonds within constraints imposed by the Tax Increment Limitation or otherwise, all as certified by the Independent Redevelopment Consultant.

Further Assurances. The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention, or to facilitate the performance, of the Trust Agreements and for the better assuring and confirming unto the Trustee and the Bond Owners of the rights and benefits provided in the Trust Agreements.

Plan Limit. The Agency covenants and agrees to annually review the total amount of Tax Revenues remaining available to be received by the Agency under the Tax Increment Limitation, as well as future cumulative Annual Debt Service.

Additional Disclosure. The Agency covenants and agrees to comply with the applicable provisions of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, with respect to continuing

disclosure obligations of issuers of municipal obligations for so long as any Bonds issued under the Trust Agreements are Outstanding.

Investments

Moneys held by the Trustee in the funds and accounts created under the Trust Agreements shall be invested and reinvested as directed by the Agency, subject to restrictions otherwise stated in the Trust Agreements and imposed by State law. Moneys on deposit in the Revenue Fund, Debt Service Fund and Reserve Fund shall be invested solely in Government Obligations which are unconditionally guaranteed by the United States of America or in securities or receipts evidencing ownership interests in obligations or specified portions of obligations unconditionally guaranteed by the United States of America and obligations of any agency or instrumentality of the United States of America backed by the full faith and credit of the United States of America or in a money market fund in the highest rating category by Moody's and S&P. The maturities of investments in the Revenue Fund and Debt Service Fund shall not extend beyond the dates when funds are expected to be needed therefrom to make payments on the Bonds, and maturities of investments in the Reserve Fund shall not exceed five years.

Investments of moneys in any fund or account shall be deemed at all times to be a part of such fund or account and the interest accruing thereon and any profit realized from (or any loss resulting from) such investment shall be credited to (or charged against) such fund or account; provided, however, that if any such interest or profit credited to the Reserve Fund would cause that fund to exceed the Reserve Fund Requirement, the amount in excess of the Reserve Fund Requirement will be transferred to the Revenue Fund.

Defeasance

Bonds or portions thereof (each such portion to be in integral multiples of the Authorized Denomination) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of the Master Trust Agreement, except for the purposes of payment from moneys or Government Obligations held by the Trustee or a Paying Agent for such purposes When all Bonds which have been issued under the Trust Agreements have been paid in full or are deemed to have been paid in full, and all other sums payable hereunder by the Agency, including all necessary and proper fees, compensation and expenses of the Trustee, and Registrar and Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the Tax Revenues shall thereupon cease, terminate and become void, and thereupon the Trustee shall execute, acknowledge and deliver to the Agency such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and such satisfaction and discharge and (unless otherwise provided in a Supplemental Trust Agreement) shall assign and deliver to the Agency any property and revenues at the time subject to the Master Trust Agreement which may then be in the Trustee's possession, except funds or securities in which such funds are invested and held by the Trustee or the Paying Agents for the payment of the principal of, Accreted Value, premium, if any, and interest on the Bonds.

Events of Default

Each of the following events shall constitute an "Event of Default":

(a) a failure to pay the principal, Accreted Value or premium, if any, on any of the Bonds when the same shall become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Bonds when the same shall become due and payable;

(c) a failure by the Agency to observe and perform any covenant, condition, agreement or provision (other than the foregoing payment requirements) contained in the Bonds or in the Master Trust Agreement to be observed or performed by the Agency, which failure shall continue for a period of 60 days after written notice specifying such failure and requesting that it be remedied, shall have been given to the Agency by the Trustee, which notice may be given at the discretion of the Trustee and shall be given upon receipt by the Trustee of a written request of Owners of 25% or more of the principal

amount and Accreted Value of the Bonds then Outstanding, unless the Trustee, or the Trustee and Owners of Bonds in a principal amount not less than the principal amount of Bonds the Owners of which requested such notice, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee or the Trustee and the Owners of such principal amount of Bonds shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Agency within such period and is being diligently pursued;

(d) any proceeding shall be instituted by or with the consent of the Agency for the purpose of effecting a compromise between the Agency and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or State statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from Pledged Tax Revenues;

(e) the use of amounts from the Reserve Fund to pay principal, Accreted Value and/or interest on the Bonds and the failure to restore the amount on deposit in the Reserve Fund to the Reserve Fund Requirement within one year from the date of such withdrawal;

(f) a failure on the part of the Agency to collect the Tax Revenues or if the Agency diverts or attempts to divert the Pledged Tax Revenues for any use prior to the deposit of the Pledged Tax Revenues into the funds and accounts held by the Trustee or there is created a lien on or charge against the Pledged Tax Revenues or the funds and accounts held by the Trustee under the Agreement for the benefit of all the Bonds which lien or charge is prior to, or, except to the extent permitted by the Master Trust Agreement, on a parity with that granted to secure the Bonds; or

(g) the occurrence of any other Event of Default as is provided in a Supplemental Trust Agreement (see below).

Upon the occurrence and continuance of an Event of Default, the Trustee in its discretion may, and upon the written direction of the Owners of 25% or more of the principal amount and Accreted Value of the Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust: (i) by mandamus or other action at law or in equity enforce all rights of the Bond Owners, and require the Agency to carry out any agreements with or for the benefit of the Bond Owners and to perform its duties under the Redevelopment Law, any other law to which it is subject and the Master Trust Agreement; (ii) bring suit upon the Bonds; (iii) commence an action or suit in equity to require the Agency to account as if it were the trustee of an express trust for the benefit of the Bond Owners; or (iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bond Owners.

No Bond Owner shall have the right to directly institute a suit, action or proceeding on the Bonds unless such Bond Owner previously gave the Trustee written notice of an Event of Default and also Owners of at least 25% of the principal amount and Accreted Value of the Bonds then Outstanding gave written request to the Trustee to institute such suit, action or proceeding, and after giving the Trustee a reasonable opportunity to institute such suit action or proceeding and offering the Trustee indemnity against the costs, expenses and liabilities to be incurred therein, the Trustee fails to comply with such request within a reasonable time. Notwithstanding the foregoing, Owners of a majority in principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Master Trust Agreement to be taken in connection with the enforcement of the terms of that agreement.

Any moneys recovered in any suit, action or proceeding to remedy an Event of Default shall be applied as follows:

(a) to pay the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee; and

(b) after payment under subparagraph (a), the remainder shall be deposited in the Debt Service Fund to be applied: (i) first, to the payment of any installments of interest then due, with interest on overdue installments at the rate per annum borne by the Bonds, in the order of maturity of the

installments of such interest (such payments shall made ratably if the amount recovered is insufficient to pay in full any particular installment of interest); and (ii) second, to the payment of unpaid principal and Accreted Value of any of the Bonds which had become due and, if the amount available is not sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date.

Trustee

The Trustee must exercise its powers and duties set forth in the Master Trust Agreement with the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. The Trustee must have a combined capital (exclusive of borrowed capital) and surplus of at least $75,000,000 and must be subject to examination by federal or state authority.

The Trustee may resign by notifying the Agency in writing at least 60 days prior to the proposed effective date of the resignation. The Agency or the Owners of a majority in principal amount of the Bonds may remove the Trustee by notice in writing delivered to the Trustee, if (a) the Trustee fails to comply with eligibility requirements under the Master Trust Agreement; (b) the Trust is adjudged a bankrupt or insolvent; (c) a receiver or other public official takes charge of the Trustee or its property; (d) the Trustee otherwise becomes incapable of acting; or (e) the Agency determines that the Trustee's services are no longer satisfactory to the Agency; provided, however, that the Agency shall have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing. No resignation or removal shall be effective until a new Trustee has taken office.

Amendments

The Master Trust Agreement can be amended or supplemented without the consent of or notice to the Bond Owners as follows:

(a) to provide for the issuance of a Series or multiple Series of Bonds under the provisions of the Master Trust Agreement and to set forth the terms of such Bonds and the special provisions which shall apply to such Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in the Master Trust Agreement or any Supplemental Trust Agreement;

(c) to add to the covenants and agreements of the Agency in the Master Trust Agreement or any Supplemental Trust Agreement other covenants and agreements, or to surrender any right or power reserved or conferred upon the Agency, which, in the reasonable judgment of the Agency, do not adversely affect the interests of the Bond Owners;

(d) to confirm any interest of the Trustee in and to the Pledged Tax Revenues or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the Agency provided pursuant to the Master Trust Agreement or to otherwise add additional security for the Bond Owners;

(e) to evidence any change made in the terms of any Series of Bonds if such changes are authorized by the Supplemental Trust Agreement at the time the Series of Bonds is issued and such change is made in accordance with the terms of such Supplemental Trust Agreement;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended;

(g) to modify, alter, amend or supplement the Master Trust Agreement or any Supplemental Trust Agreement to accommodate interest rate swaps and paired obligations, so long as the Agency's maximum interest rate and debt service obligations in such transactions do not violate the provisions of the Master Trust Agreement or do not materially adversely affect the Outstanding Bond Owners;

(h) to modify, alter, amend or supplement the Master Trust Agreement or any Supplemental Trust Agreement in any other respect which, in the reasonable judgment of the Agency, is not materially adverse to the Bond Owners;

(i) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds only registered as to principal;

(j) to qualify the Bonds or a Series of Bonds for a rating or ratings; and

(k) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to protect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Except for the amendments, modifications and supplements permitted above, and as otherwise stated in the Master Trust Agreement relative to amendment of a Supplemental Trust Agreement under which a Series of Bonds was issued, amendment of the Master Trust Agreement or a Supplemental Trust Agreement must be approved by the Owners of not less than 60% in aggregate principal amount and Accreted Value on the Bonds then Outstanding. However, the unanimous written consent of all Bond Owners is required for any amendment: (i) changing the times, amounts or currency of payment of the principal of, Accreted Value or interest on any Outstanding Bonds, (ii) reducing the principal amount, Accreted Value or redemption price of any Outstanding Bonds or the rate of interest thereon; (iii) creating a lien (except as otherwise permitted in the Master Trust Agreement) upon or pledge of the Pledged Tax Revenues ranking prior to or on a parity with the lien created by the Master Trust Agreement; (iv) creating a preference or priority of any Bond or Bonds over any other Bond or Bonds (except as to additional security that may be provided for a Series of Bonds); or (v) reducing the aggregate principal amount and Accreted Value of Bonds, the consent of the Bond Owners of which is required for any such Supplemental Trust Agreement.

FIRST SUPPLEMENTAL TRUST AGREEMENT

The First Supplemental Trust Agreement contains provisions generally describing the pledge of revenues, interest rates and redemption provisions for the Series 1999A Bonds.

SECOND SUPPLEMENTAL TRUST AGREEMENT

The Second Supplemental Trust Agreement contains provisions generally describing the pledge of revenues, interest rates and redemption provisions for the Series 1999B Bonds.

THIRD SUPPLEMENTAL TRUST AGREEMENT

The Third Supplemental Trust Agreement contains provisions generally describing the pledge of revenues, interest rates and redemption provisions for the 2010 Bonds, which provisions are summarized generally in the body of the Official Statement.

In addition, the Third Supplemental Trust Agreement contains the following additional provisions applicable to the 2010 Bonds.

Definitions

"Permitted Investments" means any of the following investments to the extent permitted by law:

(1) Government Obligations;

(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.

Supplement to Parity Bonds Test

Section 2.11(A)(i) of the Agreement is supplemented by adding the following condition to the issuance of any additional Bonds under the Agreement subsequent to the issuance of the 2010 Bonds:

> "In addition to, and notwithstanding the requirements of Section 2.11(A)(i) of the Agreement, the reference in Section 2.11 "125% of Maximum Annual Debt Service for all Project Parity Bonds" shall instead be read as "140% of Maximum Annual Debt Service for all Project Parity Bonds" until such time that a report of an Independent Redevelopment Consultant is delivered to the Trustee stating that Project Tax Revenues, based on 85% of the assessed value of the Project Area for the then current Fiscal Year, is at least 1.00 times the Annual Debt Service on Outstanding Project Bonds and Project Parity Bonds."

APPENDIX E

FORM OF BOND COUNSEL OPINION

2010 A BONDS (TAX-EXEMPT)

_____, 2010

Redevelopment Agency of the
City of San Diego
San Diego, California

Redevelopment Agency of the City of San Diego
City Heights Redevelopment Project
Tax Allocation Bonds, 2010 Series A (Tax Exempt)

Ladies and Gentlemen:

We have acted as bond counsel to the Redevelopment Agency of the City of San Diego (the "Agency") in connection with the issuance by the Agency of $_____ aggregate principal amount of bonds designated Redevelopment Agency of the City of San Diego City Heights Redevelopment Project Tax Allocation Bonds, 2010 Series A (Tax Exempt) (the "Series 2010A Bonds"), issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended, and a Master Trust Agreement, dated as of April 1, 1999, by and between the Agency and U.S. Bank National Association, as trustee (the "Trustee"), as amended and supplemented by the First Supplemental Trust Agreement, dated as of April 1, 1999, a Second Supplemental Trust Agreement, dated as of April 1, 1999, and as further amended and supplemented by a Third Supplemental Trust Agreement, dated as of August 1, 2010 (as so amended and supplemented, the "Trust Agreement"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Tax Certificate of the Agency, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Agency, the Trustee and others, certificates of the Agency, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of the Series 2010A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Series 2010A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2010A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement and the Tax Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2010A Bonds to be included

in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2010A Bonds, the Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2010A Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2010A Bonds constitute valid and binding limited obligations of the Agency.

2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Agency. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Series 2010A Bonds, of the Pledged Tax Revenues and any other amounts (including proceeds of the sale of the Series 2010A Bonds) held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. The Series 2010A Bonds are not a lien or charge upon the funds or property of the Agency except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2010A Bonds. The Series 2010A Bonds are not a debt of the City of San Diego or the State of California, and said City and said State are not liable for the payment thereof.

4. Interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes.

5. The different between the issue price of a Series 2010A Bond (the first price at which a substantial amount of the Series 2010A Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Series 2010A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Series 2010A Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (as described in paragraph 4 above), and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Series 2010A Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Series 2010A Bond premium which must be amortized under Section 171 of the Code; such amortizable Series 2010A Bond premium reduces the Bondowner's basis in the applicable Series 2010A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series 2010A Bond premium may result in a Bondowner realizing a taxable gain when a Series 2010A Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2010A Bond to the owner.

The opinions expressed in paragraphs (4) and (5) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2010A Bonds is subject to the condition that the Agency complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2010A Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2010A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2010A Bonds. The Agency has covenanted to comply with all such requirements. Except as set forth in paragraphs (4), (5) and (6) above, we express no opinion as to any tax consequences related to the Series 2010A Bonds.

Very truly yours,

2010 B BONDS (TAXABLE)

_____, 2010

Redevelopment Agency of the
City of San Diego
San Diego, California

Redevelopment Agency of the City of San Diego
City Heights Redevelopment Project
Tax Allocation Bonds, 2010 Series B (Taxable)

Ladies and Gentlemen:

We have acted as bond counsel to the Redevelopment Agency of the City of San Diego (the "Agency") in connection with the issuance by the Agency of $_____ aggregate principal amount of bonds designated Redevelopment Agency of the City of San Diego City Heights Redevelopment Project Tax Allocation Bonds, 2010 Series B (Taxable) (the "Series 2010B Bonds"), issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended, and a Master Trust Agreement, dated as of April 1, 1999, by and between the Agency and U.S. Bank National Association, as trustee (the "Trustee"), as amended and supplemented by the First Supplemental Trust Agreement, dated as of April 1, 1999, a Second Supplemental Trust Agreement, dated as of April 1, 1999, and as further amended and supplemented by a Third Supplemental Trust Agreement, dated as of August 1, 2010 (as so amended and supplemented, the "Trust Agreement"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, opinions of counsel to the Agency, the Trustee and others, certificates of the Agency, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of the Series 2010B Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Series 2010B Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2010B Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. We call attention to the fact that the rights and obligations under the Series 2010B Bonds and the Trust Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy,

completeness or fairness of the Official Statement or other offering material relating to the Series 2010B Bonds and express no opinion with respect thereto.

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 Series 2010B 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 Pledged Tax Revenues (as defined in the Trust Agreement) and other sources as and to the extent provided for in the Trust Agreement. The Series 2010B Bonds are enforceable in accordance with their terms and the terms of the Trust Agreement, 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 Trust Agreement 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 Series 2010B 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 Series 2010B 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 Series 2010B Bond (the first price at which a substantial amount of the Series 2010B Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Series 2010B Bond constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Series 2010B Bond owner will increase the Series 2010B 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 Series 2010B Bonds.

Any federal tax advice contained herein with respect to the Series 2010B 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 Series 2010B Bonds was written to support the promoting and marketing of the Series 2010B Bonds. Before purchasing any of the Series 2010B Bonds, all potential purchasers should consult their independent tax advisors with respect to the tax consequences relating to the Series 2010B 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 Trust Agreement.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2010B Bonds and expressly disclaim any duty to advise the Owners of the Series 2010B 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 CITY HEIGHTS REDEVELOPMENT PROJECT TAX ALLOCATION BONDS 2010 SERIES A (TAX EXEMPT) AND 2010 SERIES B (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 City Heights Redevelopment Project $_____ Tax Allocation Bonds, 2010 Series A (Tax Exempt) and $_____ Tax Allocation Bonds, 2010 Series B (Taxable) (the "Bonds"). The Bonds are being issued pursuant to an a Trust Agreement dated as of April 1, 1999, as amended and supplemented by a Third Supplemental Trust Agreement, dated as of August 1, 2010, (together the "Agreements"), 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 Agreements, 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 _____, 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) assessed values of the City Heights Redevelopment Project; (ii) list of top ten largest local secured property taxpayers within the City Heights Redevelopment Project; (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 – Projections of Tax Revenues and Estimated 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.