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 JUNE __, 2009

NEW ISSUE—BOOK-ENTRY ONLY

RATING:
S&P: "___"
See "RATING" herein.

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" herein with respect to other tax consequences with respect to the Bonds.

CITY OF SAN DIEGO REDEVELOPMENT AGENCY

$14,060,000*
REDEVELOPMENT AGENCY
OF THE CITY OF SAN DIEGO
North Park Redevelopment Project
Subordinate Tax Allocation Bonds, Series 2009A

Dated: Date of Delivery **Due: November 1, as shown on the inside front cover**

Proceeds from the sale of the Redevelopment Agency of the City of San Diego North Park Redevelopment Project Subordinate Tax Allocation Bonds, Series 2009A (the "Bonds"), will be used to (a) repay certain outstanding obligations of the Redevelopment Agency of the City of San Diego (the "Agency"), (b) finance redevelopment activities of the Agency within or of benefit to the Agency's North Park Redevelopment Project area in the City of San Diego, California (the "City"), (c) fund capitalized interest on a portion of the Bonds for a limited period of time, (d) fund a reserve account for the Bonds, and (e) pay the costs of issuing the Bonds. See "FINANCING PLAN" herein.

The Bonds will be issued under and pursuant to an Indenture of Trust, dated as of July 1, 2009 (the "Indenture"), by and between the Agency and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Bonds will be sold by the Agency to the Public Facilities Financing Authority of the City of San Diego for concurrent resale to the Underwriters. The Bonds are special obligations of the Agency and are payable solely from and secured by a pledge of the Tax Revenues (as defined herein), subject to the provisions of the Indenture permitting the application thereof for other purposes, and by a pledge of amounts in certain funds and accounts established under the Indenture, as further described herein. The pledge of the Tax Revenues under the Indenture is expressly subordinate to the prior lien of the Senior Bonds, as defined in the Indenture, and will be on a parity with the pledge thereof with respect to any future Parity Bonds. See "SECURITY FOR THE BONDS—Pledge Under the Indenture" herein.

Interest on the Bonds will be payable semi-annually on each May 1 and November 1, commencing November 1, 2009. The Bonds will be issued in fully registered form without coupons and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form only in denominations of $5,000 or any integral multiple thereof. Purchasers of such beneficial interests will not receive physical certificates representing their interests in the Bonds. Payment of principal of, interest and premium, if any, on the Bonds will be made directly to DTC or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as defined herein) is the responsibility of the DTC Participants, as more fully described herein. See "THE BONDS—Book-Entry System" herein.

The Bonds are subject to optional and mandatory sinking account redemption prior to maturity. See "THE BONDS—Optional Redemption" and "THE BONDS—Sinking Account Redemption" herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM THE TAX REVENUES, AS DESCRIBED HEREIN, AND AMOUNTS IN CERTAIN ACCOUNTS MAINTAINED UNDER THE INDENTURE, AND ARE NOT A DEBT OF THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO (THE "AUTHORITY"), THE CITY OR THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE AGENCY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), AND NONE OF THE AUTHORITY, THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY), IS LIABLE THEREFOR. THE BONDS ARE NOT PAYABLE FROM, AND ARE NOT SECURED BY, ANY FUNDS OF THE AGENCY, OTHER THAN THE TAX REVENUES AND OTHER MONEYS EXPRESSLY PLEDGED PURSUANT TO THE INDENTURE. NEITHER THE MEMBERS OF THE GOVERNING BOARD OF THE AGENCY NOR ANY PERSONS RESPONSIBLE FOR THE EXECUTION OF THE BONDS IS LIABLE PERSONALLY FOR PAYMENT OF THE BONDS.

This cover page is not intended to be a summary of the Bonds or the security therefore. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters related to this offering will be passed upon for the Agency by the City Attorney of the City of San Diego, in his capacity as General Counsel to the Agency, and by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel to the Agency for the Bonds. Certain legal matters will be passed upon for the Underwriters by Nossaman LLP, Irvine, California, Underwriters' Counsel. It is expected that the Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about July 22, 2009.

DE LA ROSA & CO. INVESTMENT BANKERS

SUTTER SECURITIES INCORPORATED

The date of this Official Statement is July __, 2009

*Preliminary, subject to change.

$14,060,000*
REDEVELOPMENT AGENCY
OF THE CITY OF SAN DIEGO
North Park Redevelopment Project
Subordinate Tax Allocation Bonds, Series 2009A

MATURITY SCHEDULE*
(Base CUSIP #: __________)

$__________ Serial Bonds

Maturity (November 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP Suffix†	Maturity (November 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP Suffix†

$________ _.__% Term Bonds due November 1, ____, Price: __.___%, to Yield _.__%; CUSIP: _________

$_________ _.__% Term Bonds due November 1, ____, Price: __.___%, to Yield _.__%; CUSIP: _________

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* Preliminary, subject to change.

† Copyright 2009, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Agency and are included solely for the convenience of the registered owners of the Bonds. The Agency is not responsible for the selection or uses of these CUSIP numbers, and no representation is made by the Agency or the Underwriters as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, CALIFORNIA

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, *Chair Pro Tem District 2*
Councilmember Todd R. 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, *Chair*, *District 8*

AGENCY STAFF

Ben Hueso, *Chair*
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

Stradling Yocca Carlson & Rauth,
a Professional Corporation
Bond Counsel

David Taussig & Associates, Inc.
Fiscal Consultant

Kitahata & Company
Financial Advisor

Quint & Thimmig LLP
Disclosure Counsel

Wells Fargo Bank, National Association
Trustee

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

The information set forth herein has been obtained from sources which are believed to be reliable but such information is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

While the City of San Diego maintains an internet website for various purposes, none of the information on such website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SECTION 3(a)(2) OF SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT.

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OFFICIAL STATEMENT

$14,060,000[*]
REDEVELOPMENT AGENCY
OF THE CITY OF SAN DIEGO
North Park Redevelopment Project
Subordinate Tax Allocation Bonds, Series 2009A

INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices hereto, is to provide information regarding the issuance by the Redevelopment Agency of the City of San Diego (the "Agency") of its North Park Redevelopment Project Subordinate Tax Allocation Bonds, Series 2009A (the "Bonds"). Definitions of certain capitalized terms used in this Official Statement are set forth in APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

General

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

This Official Statement contains brief descriptions of the Bonds, the Indenture, the Agency and the Agency's North Park Redevelopment Project (the "Redevelopment Project"). Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to specific documents are qualified in their entirety by reference to such documents and references to the Bonds are qualified in their entirety by reference to the form of the Bonds included in the Indenture. Copies of the Indenture and other documents described in this Official Statement may be obtained from the Agency as described under the subheading "Other Information" below.

Purpose of Issuance

Proceeds from the sale of the Bonds will be used to (a) repay certain outstanding obligations of the Agency, (b) finance redevelopment activities of the Agency within or of benefit to the North Park Redevelopment Project area (the "Project Area"), (c) fund capitalized interest on a portion of the Bonds for a limited period of time, (d) fund a reserve account for the Bonds, and (e) pay the costs of issuing the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "FINANCING PLAN."

The Agency

The Agency was activated on May 6, 1958, by action of the City Council of the City of San Diego, California (the "City") pursuant to the California Community Redevelopment Law,

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[*] Preliminary, subject to change.

constituting Part 1 of Division 24 of the California Health and Safety Code (the "Redevelopment Law"). The Agency has the authority, and is charged generally with the responsibility, to redevelop and upgrade blighted areas of the City. The members of the City Council serve as the governing body of the Agency. See "THE AGENCY."

The Redevelopment Project

The City Council of the City adopted the Redevelopment Plan for the North Park Redevelopment Project on March 4, 1997, pursuant to its Ordinance No. 0-18386. The area that is subject to the Redevelopment Plan (the "Project Area") consists of approximately 555 acres centrally located within five miles of downtown San Diego and adjacent to the City's Balboa Park. The Project Area is bounded by U.S. Interstate 805 to the east and Park Boulevard to the west, and stretches as far north as Adams Avenue and as far south as Thorn Street. A hub of activity, the area in which the Project Area is located is host to the City's second busiest transit interchange and is within miles of 11 other central San Diego communities. Land use in the Project Area includes commercial, residential, retail and light manufacturing. Agency activities in the Project Area focus on expanding housing and employment opportunities, transit and infrastructure improvements, as well as neighborhood revitalization and beautification. See "THE PROJECT AREA."

The total secured and unsecured assessed valuation of taxable property in the Project Area in Fiscal Year 2008-09, based upon information obtained by the Agency's Fiscal Consultant for the Redevelopment Project from the San Diego County Assessor's Office, is $1,160,042,821, and is $736,491,791 greater than the $423,551,030 adjusted assessed valuation in the base year (1998-99). See "THE PROJECT AREA—Tax Revenue Projections." Assessed valuations in the Project Area are subject to numerous risks which could result in decreases from the assessed valuations reported for Fiscal Year 2008-09. See "BONDOWNERS' RISKS." Also see "THE PROJECT AREA" and APPENDIX D—"FISCAL CONSULTANT'S REPORT."

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 project area based on the last equalized County assessment roll 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. Twenty percent of taxes allocated to a redevelopment agency are set aside in a separate fund to develop and maintain low and moderate income housing in the city in which the redevelopment project area is located, and certain redevelopment agencies are required to make payments from taxes allocated to them to other Taxing Agencies, and the Tax Revenues pledged to secure the repayment of the Bonds do not include any of such housing funds or payments to other Taxing Agencies. Redevelopment agencies themselves have no taxing power. See "SECURITY FOR THE BONDS—Tax Revenues."

The Bonds

The Bonds are being issued pursuant to the Redevelopment Law, a resolution adopted by the Agency on June 23, 2009, and an Indenture of Trust, dated as of July 1, 2009 (the

"Indenture"), by and between the Agency and Wells Fargo Bank, National Association, as trustee (the "Trustee"). See "THE BONDS" and APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." The Bonds will be sold by the Agency to the Public Facilities Financing Authority of the City of San Diego (the "Authority") for concurrent resale to the underwriters named on the cover of this Official Statement.

The Bonds will be issued in denominations of $5,000 each or integral multiples thereof. Interest on the Bonds will be payable on May 1 and November 1, commencing November 1, 2009. Principal of and interest on the Bonds will be payable by the Trustee to The Depository Trust Company ("DTC") which will be responsible for remitting such principal and interest to the DTC participants which will in turn be responsible for remitting such principal and interest to the beneficial owners of the Bonds. No physical distribution of the Bonds will be made to the public. See "THE BONDS—Book-Entry System."

Source of Payment for the Bonds; Senior Obligations

The Bonds are special obligations of the Agency and are payable from and secured by a pledge of Tax Revenues and amounts in certain accounts held by the Trustee under the Indenture. The term "Tax Revenues" is defined in the Indenture as all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California, and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements, if any, to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations; but *excluding* (i) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Section 33334.2 or 33334.6 of the Redevelopment Law; (ii) all amounts of such taxes required to be paid to taxing agencies under Sections 33607.5 and 33607.7 of the Redevelopment Law to the extent such required payments create a prior lien on such taxes; (iii) amounts, if any, payable by the State of California to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State of California; (iv) amounts retained by the County as costs of collection pursuant to Chapter 466, Statues of 1990; and (v) such taxes in any "Bond Year" (as defined in the Senior Indenture) to the extent subject to the prior senior pledge under the Senior Bond Indenture with respect to the Senior Bonds (as described below).

The Agency currently has certain outstanding bonds that have a lien on Tax Revenues senior to the lien securing the Bonds, which are referenced in clause (v) of the definition of Tax Revenues above. Outstanding senior lien debt includes the Agency's North Park Redevelopment Project Tax Allocation Bonds, Series 2000, issued on October 25, 2000 in the initial principal amount of $7,000,000, of which $6,035,000 is outstanding, the Agency's North Park Redevelopment Project 2003 Tax Allocation Bonds, Series A (Taxable), issued on December 17, 2003 in the initial principal amount of $7,145,000, of which $6,045,000 is outstanding, the Agency's North Park Redevelopment Project 2003 Tax Allocation Bonds, Series B (Tax-Exempt), issued on December 17, 2003 in the initial principal amount of $5,360,000, of which $5,360,000 is outstanding (collectively, the "Outstanding Senior Bonds"). Under the Indenture, the Agency has covenanted not to issue any additional senior lien debt except for purposes of refunding, in whole or in part, the Outstanding Senior Bonds ("Senior Refunding Debt" and, collectively with the Outstanding Senior Bonds, the "Senior Bonds") or any Senior Refunding Debt, but only so long as such refunding results in debt service savings for the refunded Senior Bonds in each fiscal year, and the maturity of the refunding bonds is not later than the maturity of the Senior Bonds to be refunded. A portion of the debt service on the Outstanding Senior Bonds is payable from tax increment revenues from the Project Area to be deposited to the Low and Moderate Income Housing Fund of the Agency (the "Low and Moderate Income Housing Funds"), which

Low and Moderate Income Housing Funds are not pledged to the payment of the Bonds. See "SECURITY FOR THE BONDS—Senior Lien on Tax Revenues."

Except with respect to the Senior Bonds, the Tax Revenues are not subject to the pledge and lien of any indebtedness of the Agency other than the Bonds and any Parity Bonds hereafter issued in accordance with the Indenture, and certain other obligations which are made or are by their terms subordinate to the payment of the Bonds. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAX REVENUES" and "THE PROJECT AREA—Outstanding Indebtedness." The Bonds are not payable from, and are not secured by, any funds of the Agency other than the Tax Revenues and amounts in certain accounts held by the Trustee and pledged therefore under the Indenture. See "SECURITY FOR THE BONDS."

Reserve Account

A reserve account (the "Reserve Account") will be established and held under the Indenture in order to secure the payment of principal of and interest on the Bonds in an amount, as of the Closing Date, equal to the Reserve Requirement. If, on any Interest Payment Date for the Bonds, the amounts on deposit under the Indenture to pay the principal of or interest due on the Bonds are insufficient therefor, the Trustee will draw on the Reserve Account to replenish the Interest Account, the Principal Account or the Sinking Account, in that order, to make up such deficiencies. The Indenture permits the Agency at any time to substitute a Qualified Reserve Account Credit Instrument for funds on deposit in the Reserve Account; and, in certain circumstances in connection with the issuance of Parity Bonds, to fund the Reserve Account at an amount that is less than the then Reserve Requirement. See "SECURITY FOR THE BONDS—Reserve Account," "SECURITY FOR THE BONDS—Issuance of Parity Debt" and APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts – Reserve Account" for additional information regarding the Reserve Account.

Parity Debt

The Indenture provides that in addition to the Bonds, the Agency may provide for the issuance of Parity Bonds secured by a lien on Tax Revenues on a parity with the lien under the Indenture securing the repayment of the Bonds, to finance redevelopment activities within or of benefit to the Redevelopment Project in such principal amount as shall be determined by the Agency. The Agency may deliver Parity Bonds subject to certain specific conditions set forth in the Indenture. See "SECURITY FOR THE BONDS—Issuance of Parity Debt."

Fiscal Consultant's Report

David Taussig & Associates, Inc., Newport Beach, California (the "Fiscal Consultant") has been retained to prepare a report (the "Fiscal Consultant's Report") in connection with the issuance of the Bonds. See APPENDIX D—"FISCAL CONSULTANT'S REPORT."

Risk Factors

Prospective investors should review this Official Statement and the appendices hereto in their entirety and should consider certain risk factors associated with the purchase of the Bonds, some of which have been summarized in the section herein entitled "BONDOWNERS' RISKS."

Continuing Disclosure

The Agency will covenant in a Continuing Disclosure Certificate to prepare and deliver an annual report to the Municipal Securities Rulemaking Board's Electronic Municipal Market

Access (EMMA) system, and to provide notices of the occurrence of certain events. See "CONTINUING DISCLOSURE" and APPENDIX F—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Professionals Involved in the Offering

The proceedings of the Agency in connection with the issuance of the Bonds are subject to the approval as to their legality of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the Agency by the City Attorney of the City of San Diego, in his capacity as General Counsel to the Agency, and by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel to the Agency for the Bonds. David Taussig & Associates, Inc., Newport Beach, California has been retained by the Agency to prepare a Fiscal Consultant's report for the Bonds. Kitahata & Company, San Francisco, California is serving as financial advisor to the Agency for the Bonds. The firm of Nossaman LLP, Irvine, California is serving as Underwriters' Counsel. Payment of the fees of Stradling Yocca Carlson & Rauth, a Professional Corporation, and of Quint & Thimmig LLP, Nossaman LLP and Kitahata & Company is contingent upon the sale and delivery of the Bonds.

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.

Recent Events Regarding the City

Set forth in APPENDIX B—"CERTAIN INFORMATION REGARDING THE CITY OF SAN DIEGO AND THE SURROUNDING AREA" under subheading "Recent Events Regarding the City" is a summary of certain matters regarding the City's financial statements and certain ongoing investigations relating to the City. To the best knowledge of the Agency, the investigations relating to the City's financial statements and disclosure practices described in Appendix B do not involve matters directly related to the security for, or the payment of, the Bonds.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 2000. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The Agency is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

Other Matters

There follows in this Official Statement brief descriptions of the Bonds, the security for the Bonds, the Indenture, the Agency, the Project Area, and certain other information relevant to the issuance of the Bonds. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

Other Information

Copies of the Indenture are available for inspection during business hours at the corporate trust office of the Trustee.

FINANCING PLAN

On October 31, 2006, the Agency entered into a Credit Agreement with Bank of America, N.A., which provided for a $10,000,000 line of credit to the Agency, with repayment secured by a pledge by the Agency of non-housing tax increment revenues from the Redevelopment Project. The line of credit had a term of two-years, and required quarterly interest payments beginning in January 2007. On November 1, 2008, pursuant to a First Amendment to Credit Agreement between the Agency and Bank of America, N.A., the expiration date for the line of credit was extended to July 31, 2009, and the amount of the line of credit was reduced from $10,000,000 to $8,530,333. The Agency has drawn, and there is currently outstanding, the full $8,530,333 available under the line of credit, and the Agency has used, or will use, such funds to pay for costs related to the acquisition and construction of a parking facility, the rehabilitation of a theatre, and streetscape improvements. The Agency will use a portion of the proceeds of the Bonds along with funds on hand, on the Closing Date, to fully repay its obligations to Bank of America, N.A. under the Credit Agreement.

On April 13, 2004, the Agency entered into a Disposition and Development Agreement (the "DDA") with Western Pacific Housing, Inc. (the "Developer") for the development of approximately 2.06 acres of land (the "Site") in the Redevelopment Project. Pursuant to the DDA, the Agency is required to repay the Developer $900,000 in respect of costs incurred by the Developer for the construction and installation of certain public improvements (the "Public Improvement Component") and $2,100,000 in respect of costs incurred by the Developer to provide affordable housing on the Site (the "Affordability Component"). The Agency will use a portion of the proceeds of the Bonds to pay to the Developer the $900,000 Public Improvement Component when due under the requirements of the DDA, and expects to use future low and moderate income housing tax increment revenues (not constituting any part of the Tax Revenues) to pay to the Developer the $2,100,000 Affordability Component when required under the terms of the DDA. The Agency's payment obligations under the DDA are subordinate to its obligations to repay the Outstanding Senior Bonds and the Bonds.

In addition to the foregoing, the Agency expects to use the proceeds of the Bonds to make a deposit to the Reserve Account to be held by the Trustee under the Indenture in the amount of the Reserve Requirement in effect on the date of delivery of the Bonds (see "SECURITY FOR THE BONDS—Reserve Account"); to make a deposit to the Costs of Issuance Fund to be held by the Trustee under the Indenture in an amount sufficient to pay the Costs of Issuance; to make a deposit to the Interest Account to be held by the Trustee under the Indenture to pay interest on a portion of the Bonds for a limited period of time (see "SECURITY FOR THE BONDS—Special Fund; Deposit of Tax Revenues – Interest Account"); and to make a deposit to the Redevelopment Fund to be held by the Agency, to be used to finance all or a portion of the following redevelopment activities related to the Redevelopment Project (or such other redevelopment activities for the Redevelopment Project as the Agency shall determine): streetscape improvements to a park, installation of public art in an Agency-owned parking facility, other improvements to a parking facility, various street improvements, and certain tenant improvements, all within or of benefit to the Project Area.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth a summary of the estimated sources and uses of funds associated with the issuance and sale of the Bonds.

Sources of Funds	
Principal Amount of Bonds	$
Less: Underwriters' Discount	
Total Sources	$
Uses of Funds	
Transfers to Pay Outstanding Obligations[1]	$
Deposit to Redevelopment Fund	
Deposit to Interest Account[2]	
Deposit to Reserve Account[3]	
Deposit to Costs of Issuance Fund[4]	
Total Uses	$

(1) For a description of the obligations to be paid, see "FINANCING PLAN."
(2) Represents capitalized interest on a portion of the Bonds for a limited period of time. See "SECURITY FOR THE BONDS—Special Fund; Deposit of Tax Revenues – Interest Account."
(3) Equal to the initial Reserve Requirement for the Bonds. See "SECURITY FOR THE BONDS—Reserve Account."
(4) To be used to pay the fees and expenses of the Trustee, the Fiscal Consultant, the Financial Advisor, Bond Counsel and Disclosure Counsel, printing expenses, rating agency fees and other costs incurred in connection with the issuance of the Bonds.

DEBT SERVICE SCHEDULE

The following table sets forth the scheduled annual debt service for the Bonds, assuming no redemption of the Bonds other than mandatory sinking payment redemptions.

Bond Year Ending November 1	Principal Amount(1)	Interest	Total

(1) Includes mandatory sinking payment installments

THE BONDS

General Provisions

The Bonds will be dated their date of delivery, and will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued as fully registered Bonds, without coupons, in the denomination of $5,000 each or any integral multiple thereof. The Trustee will maintain at its office books for the registration, exchange and transfer of the Bonds.

Interest on the Bonds is payable semiannually on each May 1 and November 1, commencing November 1, 2009 (each, an "Interest Payment Date"), by check of the Trustee mailed on each Interest Payment Date to the registered owners whose names appear on the registration books of the Trustee as of the close of business on the fifteenth calendar day of the month preceding each Interest Payment Date (a "Record Date") or, upon the written request filed with the Trustee prior to any Record Date by a registered owner of at least $1,000,000 in aggregateprincipal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such owner in such written request. Principal of and premium, if any, on the Bonds is payable at maturity or redemption upon presentation and surrender thereof at the corporate trust office of the Trustee described in the Indenture (the "Trust Office").

The Bonds will bear interest from the Interest Payment Date immediately preceding the date of authentication by the Trustee, unless (i) 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 (ii) it is authenticated on or prior to October 15, 2009, in which event it shall bear interest from the date of delivery of the Bonds; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Bonds may be transferred or exchanged upon presentation and surrender at the Trust Office in Los Angeles, California, provided that the Trustee will not be required to register the transfer or exchange of any Bonds during the fifteen days prior to the date established by the Trustee for the selection of the Bonds for redemption, or as to Bonds the notice of redemption of which has been mailed pursuant to the Indenture. The Trustee may require the payment by the registered owners of the Bonds requiring such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee will, under certain circumstances, replace Bonds which have been mutilated, lost, destroyed or stolen. The Trustee may require posting of an adequate surety bond, cash, or other collateral and payment of a reasonable fee to cover the expenses which may be incurred by the Trustee for each new Bond issued to replace a Bond which has been mutilated, lost, destroyed or stolen.

Book-Entry System

The Bonds will be issued as one fully registered bond without coupons for each maturity of the Bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to the beneficial owners of the Bonds as described herein. **So long as Cede & Co., as the nominee of DTC, is the registered owner of all of the Bonds, references herein to the holders or owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.** See APPENDIX G—"BOOK ENTRY ONLY SYSTEM.".

Optional Redemption

The Bonds maturing on or before November 1, ____, are not subject to optional redemption prior to maturity. The Bonds maturing on or after November 1, ____, are subject to redemption, at the option of the Agency, any date on or after November 1, ____, as a whole or in part, among such maturities as shall be determined by the Agency and by lot within a maturity, from any available source of funds at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) together with accrued interest thereon to the date fixed for redemption.

Redemption Dates	Redemption Price
November 1, ____ through October 31, ____	%
November 1, ____ through October 31, ____	
November 1, ____ and thereafter	

The Agency has the right to rescind any optional redemption by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Agency and the Trustee shall have no liability to the owners of the Bonds or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Sinking Account Redemption

The Bonds maturing on November 1, ____ (the "Term Bonds") are subject to mandatory redemption in whole, or in part by lot, prior to maturity from and to the extent of Sinking Account payments commencing November 1, ____, and on each November 1 of the years and in the amounts as follows, without premium, plus accrued interest to the date of redemption:

Sinking Account Redemption Date (November 1)	Principal Amount to be Redeemed
	$
†	

† Final maturity.

Purchase In Lieu of Redemption

In lieu of any optional or sinking account redemption of the Bonds, amounts on deposit in the Special Fund or in the Sinking Account may also be used and withdrawn by the Trustee at any time, upon the Written Request of the Agency, for the purchase of Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Agency may in its discretion determine. The par amount of any Term Bonds so purchased by the Agency in any twelve-month period ending on September 1 in any year shall be credited towards and shall reduce the par amount of Term Bonds required to be redeemed pursuant to the Indenture on November 1 in such year.

Notice of Redemption

Notice of redemption shall be mailed by the Trustee not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the registered owner of each such Bond at the address of such owner shown on the Bond registration books maintained by the Trustee and to the Securities Depositories and to one or more Information Services designated in a Written Request of Agency delivered to the Trustee. The notice of redemption shall (a) state the redemption date; (b) require the Bonds called for redemption be surrendered at the principal Trust Office of the Trustee; (c) state the redemption price; (d) state the CUSIP number and the individual numbers of the Bonds to be redeemed, provided, however, that whenever any call for redemption includes all of the outstanding Bonds, the CUSIP numbers of the Bonds need not be stated; and (e) state that interest on the principal portion of the Bonds designated for redemption shall cease to accrue from and after the redemption date.

The mailing of notice of redemption shall not be a condition precedent to any redemption, and neither the failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of the Bonds or the cessation of the accrual of interest thereon on the redemption date. Notice of redemption of Bonds shall be given by the Trustee on behalf of the Agency at the expense of the Agency.

Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed or purchased pursuant to the Indenture shall be canceled and shall be surrendered to the Agency.

SECURITY FOR THE BONDS

Limited Obligations

The Bonds and all payments required of the Agency under the Indenture are not general obligations of the Agency but are limited special obligations of the Agency and are secured by an irrevocable pledge of, and are payable as to principal and interest, from Tax Revenues and funds in certain accounts maintained by the Trustee under the Indenture, as hereinafter described. The Bonds and interest thereon are not a debt of the City, the State or any of its political subdivisions (other than the Agency to the limited extent set forth in the Indenture), and neither the City, the State nor any of its political subdivisions (other than the Agency to the limited extent set forth in the Indenture) is liable on them. In no event shall the Bonds or interest thereon be payable out of any funds or properties other than those of the Agency as set forth in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Tax Revenues

Allocation of Taxes. The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan for the project area, or base roll, is established as of the adoption of the redevelopment plan. Thereafter, except for any period during which the taxable valuation drops below the base year level, the taxing bodies receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (with the exception of taxes derived from increases in the tax rate imposed by Taxing Agencies (defined below) to support new bonded indebtedness) (the "Tax Increment Revenues") are allocated to the redevelopment agency and may be pledged to the repayment of any indebtedness incurred in financing or refinancing redevelopment activities. Redevelopment agencies themselves have no authority to levy or collect property taxes and must look exclusively to such allocation of taxes.

As provided in the redevelopment plan for the Project Area, and pursuant to Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State of California, the County, the City, any district or other public corporation (collectively, the "Taxing Agencies"), for fiscal years beginning after the effective date of the redevelopment plan, will be divided as follows:

(1) *To Taxing Agencies*: The portion of the taxes that would be produced by the rate upon which the tax is levied each year by or for each of the Taxing Agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such Taxing Agency last equalized before the establishment of the Project Area will be allocated to, and when collected will be paid into the funds of, the respective Taxing Agencies as taxes by or for those Taxing Agencies.

(2) *To the Agency*: Except as provided in (3) below, the portion of such levied taxes each year in excess of the amount referred to in 1. above will be allocated to, and when collected will be paid into a special fund of, the Agency to the extent necessary to pay indebtedness of the Agency, including but not limited to its obligation to repay the Senior Bonds and the Bonds.

(3) *To Taxing Agencies*: The portion of the taxes identified in (2) above that is attributable to a tax rate levied by a Taxing Agency for the purpose of producing revenues in an amount sufficient to make annual repayments of principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of real property approved by the voters of the Taxing Agency on or after January 1, 1989, will be allocated to, and when collected shall be paid into, the fund of the Taxing Agency.

Housing Set-Aside Amounts. Sections 33334.2 and 33334.3 of the Redevelopment Law require each redevelopment agency to set aside not less than 20% of all Tax Increment Revenues in a low and moderate income housing fund (the "Low and Moderate Income Housing Fund") to be expended for authorized low and moderate income housing purposes (the "Housing Set-Aside Amount"). Amounts on deposit in the Low and Moderate Income Housing Fund may also be applied to pay debt service on bonds, loans or advances used to provide financing for such low and moderate income housing purposes. Under the Redevelopment Law, the Housing Set-Aside Amount could be reduced or eliminated by a redevelopment agency if the respective agency finds that (a) no need exists in the community to improve or increase the supply of low and moderate income housing, (b) that some stated percentage less than 20% of the tax increment is sufficient to meet the housing need or (c) that other substantial efforts, including the obligation of funds from certain local, state or federal sources for low and moderate income housing, or equivalent impact are being provided for in the community. The Agency has made no such finding. No portion of the proceeds of the Bonds is expected to be deposited in the Low and Moderate Income Housing Fund; and, while a portion of the debt service on the Outstanding Senior Bonds is payable from funds deposited to the Low and Moderate Income Housing Fund (see "SECURITY FOR THE BONDS—Senior Lien on Tax Revenues"), the Bonds are *not* secured by or payable from any amounts deposited in the Low and Moderate Income Housing Fund.

Tax Sharing Payments. Pursuant to the Redevelopment Law, the Agency is required to make certain payments to affected Taxing Agencies, payable from tax increment revenues allocated to the Agency. See "THE PROJECT AREA—Pass-Through Payments." The Tax Revenues do not include tax increment revenues from the Project Area required to make any such payments.

Possible Limitations on Tax Revenues. 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 that have the effect of reducing the property tax rate could reduce the amount of Tax Revenues that would otherwise be available to pay the Agency's obligations including the principal of, premium (if any) and interest on the Bonds. Likewise, broadened property tax exemptions could have a similar effect.

See "BONDOWNERS' RISKS" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAX REVENUES."

Pledge Under the Indenture

The Bonds are secured by a first pledge of all of the Tax Revenues (subject to the prior lien on Pledged Tax Revenues, as defined in the Senior Bond Indenture, of the Senior Bonds and any related obligations pursuant to the Senior Bond Indenture), and a pledge of all of the moneys in the Special Fund, the Interest Account, the Principal Account, the Sinking Account, the Redemption Account and the Reserve Account, including all amounts derived from the investment of such moneys, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such other moneys, no funds or properties of the Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds. Amounts in the Costs of Issuance Fund and the Redevelopment Fund established pursuant to the Indenture are not pledged as security for the Bonds.

The term "Tax Revenues" is defined in the Indenture as all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California, and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements, if any, to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations; but *excluding* (i) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Section 33334.2 or 33334.6 of the Redevelopment Law; (ii) all amounts of such taxes required to be paid to taxing agencies under Sections 33607.5 and 33607.7 of the Redevelopment Law to the extent such required payments create a prior lien on such taxes; (iii) amounts, if any, payable by the State of California to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State of California; (iv) amounts retained by the County as costs of collection pursuant to Chapter 466, Statues of 1990; and (v) such taxes in any "Bond Year" (as defined in the Senior Indenture) to the extent subject to the prior senior pledge under the Senior Bond Indenture with respect to the Senior Bonds.

Except with respect to the Senior Bonds, the Tax Revenues are not subject to the pledge and lien of any indebtedness of the Agency other than the Bonds and any Parity Bonds that may hereafter be issued in accordance with the Indenture, and certain other obligations which are made or are by their terms subordinate to the payment of the Bonds. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAX REVENUES" and "THE PROJECT AREA—Outstanding Indebtedness."

Senior Lien on Tax Revenues

The Agency currently has certain outstanding bonds that have a lien on Tax Revenues senior to the lien securing the Bonds, which are referenced in clause (v) of the definition of Tax Revenues above. Outstanding senior lien debt includes the Agency's North Park Redevelopment Project Tax Allocation Bonds, Series 2000, issued on October 25, 2000 in the initial principal amount of $7,000,000, of which $6,035,000 is outstanding (the "2000 Bonds"), the Agency's North Park Redevelopment Project 2003 Tax Allocation Bonds, Series A (Taxable), issued on December 17, 2003 in the initial principal amount of $7,145,000, of which $6,045,000 is outstanding (the "2003A Bonds"), and the Agency's North Park Redevelopment Project 2003 Tax Allocation Bonds, Series B (Tax-Exempt), issued on December 17, 2003 in the initial principal amount of $5,360,000, of which $5,360,000 is outstanding (the "2003B Bonds" and, together with the 2000 Bonds and the 2003A Bonds, the "Outstanding Senior Bonds"). Under the Indenture, the Agency has covenanted not to issue any additional senior lien debt except for purposes of refunding, in whole or in part, the Outstanding Senior Bonds ("Senior Refunding Debt" and, collectively with the Outstanding Senior Bonds, the "Senior Bonds") or any Senior Refunding Debt, but only so long as such refunding results in debt service savings for the refunded Senior Bonds in each fiscal year, and the maturity of the refunding bonds is not later than the maturity of the Senior Bonds to be refunded.

The Agency used approximately twenty-four and one-half percent (24.5%) of the proceeds of the 2000 Bonds for housing purposes, and the Agency used approximately forty-one and one-tenth percent (41.1%) of the proceeds of the 2003A Bonds for housing purposes. No proceeds of the 2003B Bonds were used for housing purposes. Under the Redevelopment Law, the Agency may pay the portion of the scheduled debt service on the 2000 Bonds and the portion of the debt service on the 2003A Bonds attributable to the respective proceeds of the 2000 Bonds and the 2003A Bonds used for housing purposes (or a total of twenty-four percent (24.0%) of the combined debt service on the Outstanding Senior Bonds) from funds required to be deposited to the Agency's Low and Moderate Income Housing Fund. In any event, the Tax Revenues pledged to the repayment of the Bonds do not include any of the Low and Moderate Income Housing Funds.

The maximum annual debt service on the Outstanding Senior Bonds payable in the current or any future Bond Year, after deducting the portion of the debt service on the Outstanding Senior Bonds that the Agency intends to pay from Low and Moderate Income Housing Funds (which are not part of the Tax Revenues pledged to the payment of the Bonds), is $1,295,206. See footnote 2 to Table 7 under the heading "THE PROJECT AREA—Debt Service Coverage."

Special Fund; Deposit of Tax Revenues

There has been established by the Indenture a special fund known as the "Special Fund," which is held by the Trustee in trust. The Agency shall pay or cause to be paid to the Trustee all of the Tax Revenues received in any Bond Year, and the Trustee shall deposit all of the Tax Revenues in the Special Fund promptly upon receipt thereof; provided, however, that the Agency shall not be obligated to deposit or cause to be deposited in the Special Fund in any Bond Year an amount of Tax Revenues which, together with amounts in the Special Fund, exceeds the amounts required to be deposited into the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account in such Bond Year. All Tax Revenues at any time paid into the Special Fund shall be held by the Trustee solely for the uses and purposes set forth in the Indenture so long as the Bonds are Outstanding, and the Agency shall not have any beneficial right or interest in the Tax Revenues, except as provided in the Indenture.

Pursuant to the Indenture, moneys in the Special Fund will be withdrawn by the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts (which are established by the Indenture to be held by the Trustee in trust) in the following order of priority:

> <u>Interest Account</u>. On or before the Business Day preceding each Interest Payment Date, the Trustee shall withdraw from the Special Fund and deposit in the Interest Account an amount which, when added to the amount then contained in the Interest Account, will be equal to the aggregateamount of the interest becoming due and payable on the Outstanding Bonds and Parity Bonds on such Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee for the sole purpose of paying the interest on the Bonds and Parity Bonds as it shall become due

and payable (including accrued interest on any Bonds and Parity Bonds purchased or redeemed prior to maturity pursuant to this Indenture); provided, however, that the Trustee shall apply proceeds of the Bonds deposited into the Interest Account for the payment of interest due on the Bonds as follows:

Amount	Interest Payment Date
$	

Principal Account. On or before the Business Day preceding each Principal Payment Date, the Trustee shall withdraw from the Special Fund and deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the aggregate amount of principal becoming due and payable on the Outstanding Serial Bonds and any serial Parity Bonds on such Principal Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal on the Serial Bonds and any serial Parity Bonds as it shall become due and payable.

Sinking Account. On or before the Business Day preceding each November 1 on which any Outstanding Bonds are subject to mandatory Sinking Account redemption, the Trustee shall withdraw from the Special Fund and deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds and any Parity Bonds that are term bonds required to be redeemed on the next succeeding November 1. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of redeeming or purchasing (in lieu of redemption) Term Bonds and any Parity Bonds that are term bonds.

Reserve Account. On or before each Interest Payment Date, the Trustee shall withdraw from the Special Fund and deposit in the Reserve Account an amount of money (if any) which shall be required to maintain in the Reserve Account the full amount of the Reserve Requirement. All moneys in the Reserve Account shall be used and withdrawn by the Trustee for the sole purpose of making transfers to the Interest Account, the Principal Account and the Sinking Account, in such order, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds and any Parity Bonds then Outstanding, or to the Redemption Account in the event an optional or mandatory sinking fund redemption would cause a reduction in the Reserve Requirement.

Redemption Account. On or before any date on which Bonds or any Parity Bonds are to be optionally redeemed pursuant to the Indenture, the Trustee shall withdraw from the Special Fund and deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds or any Parity Bonds to be redeemed on such date pursuant to the Indenture. All moneys in the Redemption Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of and premium, if any, on the Bonds or any Parity Bonds to be redeemed on the date set for such redemption.

Reserve Account

There is established under the Indenture a separate account known as the "Reserve Account," which is to be held by the Trustee in trust. The Indenture requires that an amount equal to the Reserve Requirement be maintained in the Reserve Account at all times, and any deficiency therein be replenished from the first available moneys in the Special Fund as described in the preceding paragraphs above. The amount required to be maintained in the Reserve Account may be increased by any Supplemental Indenture authorizing the issuance of any Parity Bonds; provided, however, in certain circumstances, the Indenture permits the issuance of Parity Bonds without increasing the amount in the Reserve Account to the then Reserve Requirement due to restrictions in the Tax Code (see "SECURITY FOR THE BONDS—Issuance of Parity Debt"). Any amounts on deposit in the Reserve Account at any time in excess of the Reserve Requirement will be withdrawn from the Reserve Account by the Trustee and transferred to the Special Fund.

As defined in the Indenture, the term "Reserve Requirement" means, as of the date of any calculation by the Agency, the lesser of (a) Maximum Annual Debt Service, (b) 125% of average Annual Debt Service, or (c) 10% of the original principal amount of the Bonds and any Parity Bonds (less original issue discount if in excess of two percent (2%) of the stated redemption amount at maturity); provided however that the Indenture allows for the Reserve Requirement to be computed without regard for the portions of Parity Bonds which remain as deposits in escrow funds not secured by the Tax Revenues.

The Agency has the right at any time to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (a) a Qualified Reserve Account Credit Instrument, and (b) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Bonds to become includable in the gross income of the Owners for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account, at the request of the Agency, either (i) to the Redevelopment Fund to be held by the Agency, or (ii) to the Agency for deposit into such fund or funds as the Agency shall have established for the financing of the Redevelopment Project. Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall be obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, (ii) to deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues, or (iii) to draw upon the Qualified Reserve Account Credit Instrument an amount of funds equal to the stated amount thereof prior to its expiration. See APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions" for the definition of Qualified Reserve Account Credit Instrument.

The Reserve Account may be maintained in the form of one or more separate subaccounts which are established for the purpose of holding the proceeds of separate issues of the Bonds and any Parity Bonds in conformity with applicable provisions of the Tax Code to the extent directed by the Agency in writing to the Trustee.

Issuance of Parity Debt

In addition to the Bonds, the Agency may, by Supplemental Indenture, from time to time issue or incur other loans, advances or indebtedness payable from Tax Revenues and amounts in the Reserve Account on a parity with the Bonds (and referred to herein as "Parity Bonds") to finance or refinance redevelopment activities within or for the benefit to the Redevelopment Project (including the refunding of the Bonds or any Parity Bonds) in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Bonds subject to the following specific conditions precedent to the issuance and delivery of such Parity Bonds, as set forth in the Indenture:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture.

(b) The Tax Revenues to be received by the Agency in each Fiscal Year during the term of the Parity Bonds, based on the then current year Tax Revenues, assuming no growth in assessed value, and accounting for fluctuations in Debt Service on the Senior Bonds in each Fiscal Year, plus at the option of the Agency the Additional Allowance, as set forth in a Written Certificate of the Agency filed with the Trustee, shall be equal to one hundred twenty-five percent (125%) of Annual Debt Service on all Bonds and Parity Bonds (exclusive of debt service due on the proceeds of any Parity Bonds deposited in an escrow fund pursuant to the terms of a Supplemental Indenture which are not secured by Tax Revenues) in each Fiscal Year through maturity of the Bonds which will be Outstanding following the issuance of such Parity Bonds. For purposes of this paragraph, the computation of Tax Revenues shall include all taxes used by the Agency to pay debt service on the Senior Bonds which the Agency certifies in writing is legally payable from moneys deposited into the Low and Moderate Income Housing Fund of the Agency.

(c) The Supplemental Indenture providing for the issuance of such Parity Bonds shall provide that:

(i) interest on the Parity Bonds shall be payable on May 1 and November 1 in each year in which interest is payable on such Parity Bonds except the first twelve-month period, during which interest may be payable on any May 1 or November 1, and provided that there shall be no requirement that such Parity Bonds pay interest on a current basis;

(ii) the principal of such Parity Bonds shall be payable on November 1 in any year in which principal is payable; and

(iii) money shall be deposited in the Reserve Account from the proceeds of the sale of said Parity Bonds, or from other sources available to the Agency, to increase the amount on deposit in the Reserve Account to an amount equal to the Reserve Requirement; provided, however, that the Agency shall not be required to deposit moneys to the Reserve Account in an amount in excess of the applicable Tax Code limit with respect to the issuance of such series of Parity Bonds.

"Additional Allowance" is defined in the Indenture to mean, as the date of calculation, the amount of Tax Revenues which, as shown in the Report of an Independent Financial Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increases in the assessed valuation of taxable property in the Project Area due to either (a) construction which has been completed but not yet reflected on the tax rolls, or (b) transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls. For purposes of such definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Project Area is estimated to increase above assessed valuation of taxable property in the Project Area (as evidenced on the written records of the San Diego County Auditor-Controller) as of the date in which such calculation is made.

By reason of the foregoing Parity Bond provisions of the Indenture, it should be noted that: (i) the portion of the debt service on the Senior Bonds payable from moneys deposited in the Low and Moderate Income Housing Fund of the Agency (being twenty-five percent of the scheduled debt service on the 2000 Bonds and on the 2003A Bonds, see "SECURITY FOR THE BONDS—Senior Lien on Tax Revenues") is included in Tax Revenues for purposes of clause (b) of the second preceding paragraph; (ii) the Agency may issue Parity Bonds in the form of capital appreciation bonds by reason of the provisions of clause (c)(i) of the second preceding paragraph; and (iii) following the issuance of Parity Bonds, the amount on deposit in the Reserve Account may not be equal to the Reserve Requirement in effect by reason of the provisions of clause (c)(iii) of the second preceding paragraph, provided that in such event, investment earnings on amounts in the Reserve Account would not be released from the Reserve Account until the amount on deposit therein had increased to the amount of the then Reserve Requirement (see "SECURITY FOR THE BONDS—Reserve Account").

Issuance of Subordinate Debt

The Agency may issue or incur loans, advances, contracts or indebtedness which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds ("Subordinate Debt"), in such principal amount as shall be determined by the Agency, provided that the issuance of such Subordinate Debt shall not cause the Agency to exceed any applicable Plan Limitation.

Investments

The proceeds of the Bonds and other moneys required to be deposited in the funds and accounts established by the Indenture and held by the Trustee or the Agency will be invested in Permitted Investments, as defined in the Indenture. See APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions." Tax Revenues remitted by the County to the Agency are deposited in the City's Investment Pool prior to their transfer by the Agency to the trustee under the Senior Bond Indenture, and to the Trustee for deposit to the Special Fund established under the Indenture. See "BONDOWNERS' RISKS—Investment of Tax Revenues and Other Funds."

THE AGENCY

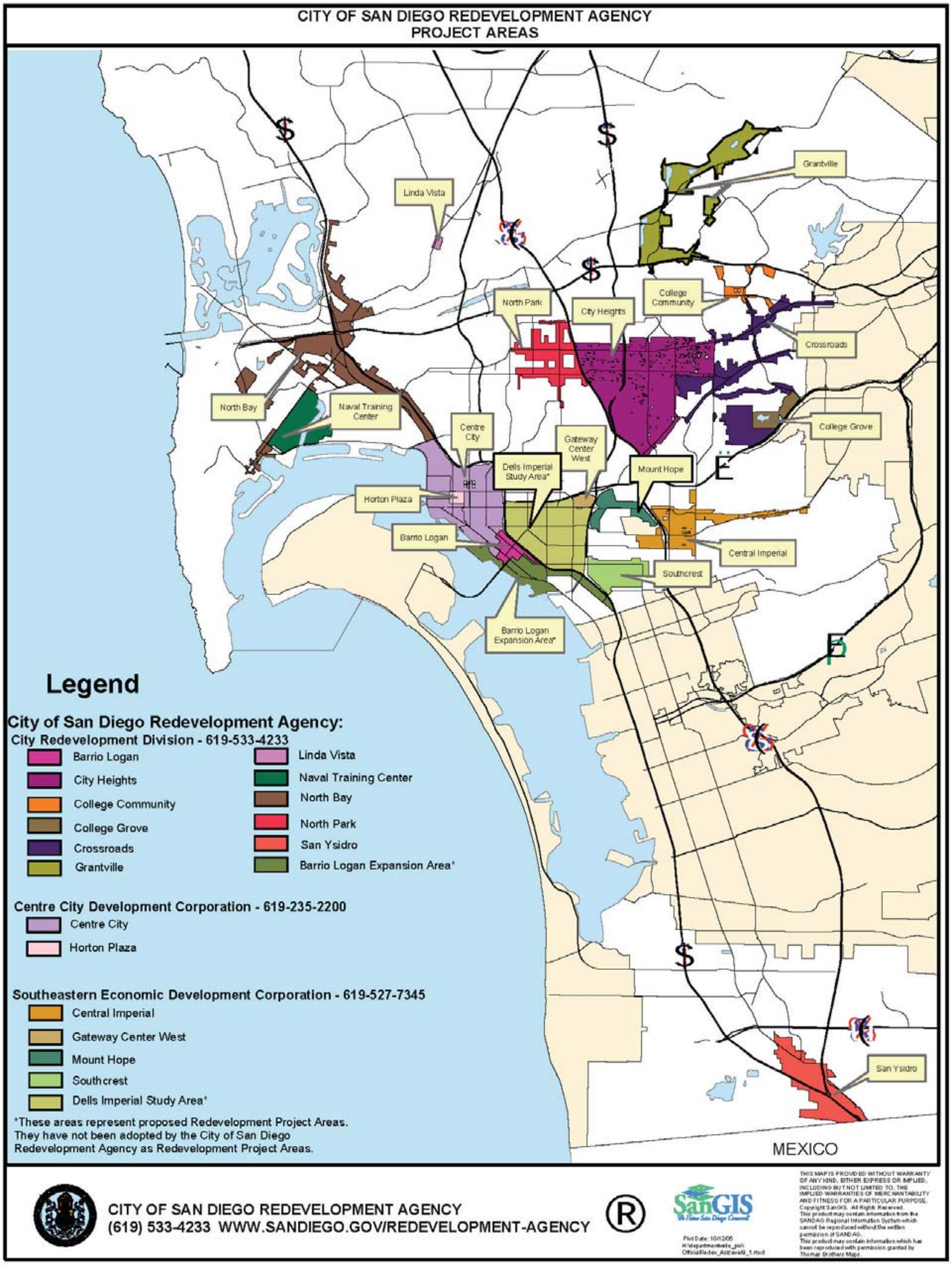
General

The Agency was activated on May 6, 1958, by action of the City Council pursuant to the Redevelopment Law. Under California law, although the Agency is a separate and distinct legal entity from the City, the members of the City Council serve as the Agency's Governing Board. The President of the City Council chairs the Agency, the Mayor of the City serves as the Executive Director of the Agency and the City Attorney serves as the Agency's general counsel. The Redevelopment Division of the City Planning and Community Investment Department serves as staff to the Agency.

The Agency manages 17 different redevelopment project areas and two survey areas, encompassing more than 11,759 acres. The map on the next page indicates the various redevelopment project areas of the Agency. Of the 17 redevelopment project areas, 11 (including the North Park Project Area) are managed by the Redevelopment Division, with the other areas managed by two public, nonprofit corporations, the Centre City Development Corp. and the Southeastern Economic Development Corp. NONE OF THE TAX INCREMENT REVENUES GENERATED FROM PROPERTY LOCATED IN THE PROJECT AREAS OF THE AGENCY, OTHER THAN THE NORTH PARK PROJECT AREA, IS PLEDGED OR AVAILABLE TO PAY DEBT SERVICE ON THE BONDS.

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

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


CITY OF SAN DIEGO REDEVELOPMENT AGENCY
PROJECT AREAS
Linda Vista
Grantville
College Community
North Park
City Heights
Crossroads
North Bay
Naval Training Center
College Grove
Centre City
Gateway Center West
Dells Imperial Study Area*
Mount Hope
Horton Plaza
Barrio Logan
Central Imperial
Southcrest
Barrio Logan Expansion Area*
San Ysidro
MEXICO
Legend
City of San Diego Redevelopment Agency:
City Redevelopment Division - 619-533-4233
Barrio Logan
City Heights
College Community
College Grove
Crossroads
Grantville
Linda Vista
Naval Training Center
North Bay
North Park
San Ysidro
Barrio Logan Expansion Area*
Centre City Development Corporation - 619-235-2200
Centre City
Horton Plaza
Southeastern Economic Development Corporation - 619-527-7345
Central Imperial
Gateway Center West
Mount Hope
Southcrest
Dells Imperial Study Area*
*These areas represent proposed Redevelopment Project Areas. They have not been adopted by the City of San Diego Redevelopment Agency as Redevelopment Project Areas.
CITY OF SAN DIEGO REDEVELOPMENT AGENCY
(619) 533-4233 WWW.SANDIEGO.GOV/REDEVELOPMENT-AGENCY
SanGIS

Agency Financial Statements

Excerpts from the annual financial report of the Agency for the fiscal year ended June 30, 2008 are included as Appendix C to this Official Statement. Macias Gini & O'Connell LLP (the "Auditor") has not consented to the inclusion of excerpts from the report as Appendix C and has not undertaken to update the report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report with respect to the Agency's financial statements dated April 20, 2009.

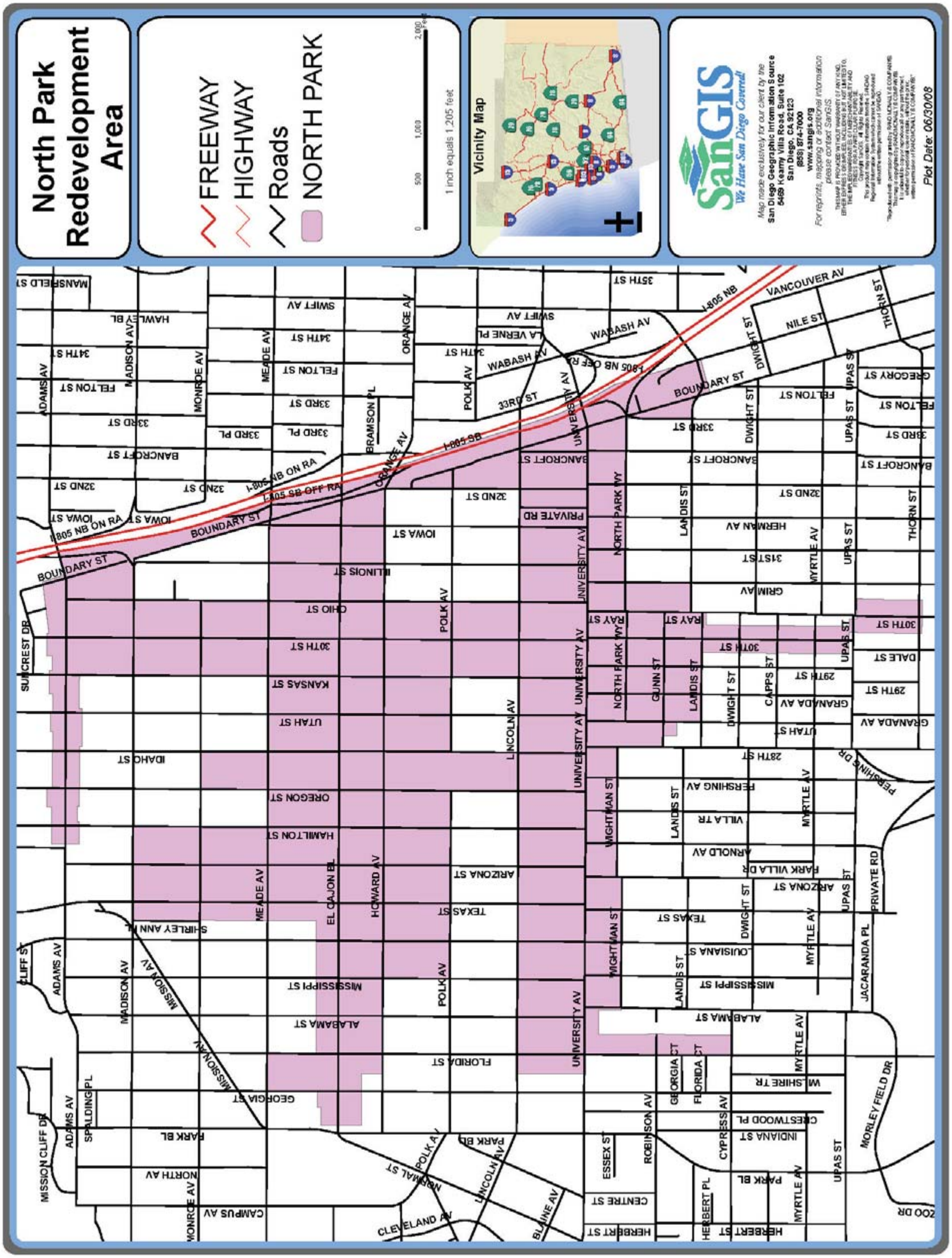
THE PROJECT AREA

General

The Project Area was formally created by the City Council with the adoption of the North Park Redevelopment Plan (the "Redevelopment Plan"), which was approved pursuant to Ordinance No. 0-18386, adopted by the City Council on March 4, 1997. The main purpose of establishing the Redevelopment Plan was to eradicate blight in the Project Area. In accordance with this purpose, the objectives of the Redevelopment Plan include the enhancement of positive characteristics of the neighborhoods in the Project Area and promotion of new projects within the Project Area.

The Redevelopment Plan is administered by the City Redevelopment Division of the City Planning and Community Investment Department. The Project Area encompasses 555 acres of land, located 5 miles from downtown San Diego and next to the City's Balboa Park. The Project Area is bounded by U.S. Interstate 805 to the east and Park Boulevard to the west, and stretches as far north as Adams Avenue and as far south as Thorn Street. A hub of activity, the area in which the Project Area is located is host to the City's second busiest transit interchange and is within miles of 11 other central San Diego communities. Land uses in the Project Area include commercial, residential, retail, and light manufacturing.

A map highlighting the Project Area is shown on the following page.


North Park Redevelopment Area
FREEWAY
HIGHWAY
Roads
NORTH PARK
1 inch equals 1,205 feet
Vicinity Map
SanGIS
We Have San Diego Covered!
Map made exclusively for our client by the
San Diego Geographic Information Source
5469 Kearny Villa Road, Suite 102
San Diego, CA 92123
(858) 874-7000
www.sangis.org
Plot Date: 06/30/08

The Redevelopment Plan has been amended once since it was initially adopted. The following table shows the history of the Redevelopment Plan adoption and the amendment to the Redevelopment Plan.

TABLE 1
NORTH PARK REDEVELOPMENT PROJECT
REDEVELOPMENT PLAN HISTORY

Action	Date	Purpose
Original Adoption	3/4/1997	Redevelopment Plan adoption.
Amendment 1	7/18/2006	Extended the effectiveness of the Redevelopment Plan and the last date to receive tax increment revenues by one year.

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

Redevelopment Plan Limitations

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 Project Area are set forth in the table below.

TABLE 2
NORTH PARK REDEVELOPMENT PROJECT
REDEVELOPMENT PLAN LIMITATIONS

Plan Life:	March 4, 2028
Last Date to Repay Debt:	March 4, 2043
Last Date to Receive Tax Increment:	March 4, 2043
Limit on Outstanding Bonded Indebtedness:	$53,000,000

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 Project Area 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 Bonds, the Agency will have $__________ of bonded indebtedness outstanding.

As stated under the heading "THE PROJECT AREA—General" above, the Agency is in the process of amending the Redevelopment Plan to extend the time limit for the Agency to acquire property through eminent domain to March 2021, and to increase the limit on outstanding bonded indebtedness.

Outstanding Indebtedness

In addition to the Senior Bonds (see "SECURITY FOR THE BONDS—Senior Lien on Tax Revenues") and the Bank of America, N.A. line of credit to be repaid with Bond proceeds and obligations of the Agency under the DDA some of which are to be repaid with Bond proceeds (see "FINANCING PLAN"), the Agency (i) has a nonrevolving, $7,300,000 line of credit with San Diego National Bank the repayment of which is secured by a pledge of Low and Moderate Income Housing Funds, and (ii) approximately $2,800,000 in outstanding loans from the City, the repayment of which is subordinate to the repayment of any bonds, notes or other indebtedness of the Agency, including the Bonds and any Parity Bonds. See the Section in the Fiscal Consultant's Report in Appendix D entitled "Section 1 Information – C. Current Uses of Tax Increment Revenues."

The City loans to the Agency relate to the City's Community Development Block Grant ("CDBG") program. The City's program was recently audited by the Inspector General for the Department of Housing and Urban Development ("HUD"), which determined that the City had failed to execute certain documents pertaining to various City loans to the Agency with respect to the program. The City is currently in discussions with HUD regarding the audit findings and any actions HUD may require of the City, including the possible repayment by the City of certain CDBG funds, which could result in a need for the Agency to repay its loan from the City. See footnote 9 to the Agency's audited financial statements in Appendix C.

Recent Activity

Agency activities in the Project Area focus on expanding housing and employment opportunities, transit and infrastructure improvements, as well as neighborhood revitalization and beautification. Current development objectives include the revitalization of deteriorated commercial corridors, the provision of quality market-rate and affordable housing opportunities, and the preservation of historic character of commercial and residential districts. The following include some of the recent activities of the Agency in the Project Area:

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

- The Agency assisted with the selection of a consultant to work with the City of San Diego and the community on design and development of a park on Agency owned property behind the North Park Theatre.

- The Agency formed a committee and solicited artist submissions for artwork that will be replicated as sixteen large scale banners and installed on the North Park Parking Garage.

- An Owner Participation Agreement was entered into with SVDP Management (Father Joe's Villages) to provide a $2.4 million residual receipts loan for the construction of twenty-three (23) very low-income rental units.

- A contract with North Park Main Street, a non-profit organization charged with revitalization of the North Park Business Improvements District, was extended to assist in proactively seeking new commercial and residential development within the Project Area through the solicitation of developer interest/proposals.

- The Agency has released a request for proposals for the potential development of a 39,400 square foot building located at University Avenue and Ray Street. A non-profit developer could potentially be selected to purchase the building with Agency assistance and own and operate the project. No specific timeline for this project has been established.

See "Section IV Project Tax Increment Projects—B. New Development" in the Fiscal Consultant's Report in Appendix D for a description of recent development that has occurred in the Project Area that may result in increases (due to projects increasing the assessed value in the Project Area) in Tax Revenues above and beyond the projection of Tax Revenues reflected in the Fiscal Consultant's Report, and decreases (due to activities of nonprofit agencies that will reduce taxable assessed values in the Project Area) in Tax Revenues from those projected in the Fiscal Consultant's Report.

Assessed Valuation

The Base Year assessed valuation for the Project Area was established in fiscal year 1998-1999 in the amount of $423,551,030. A breakdown of the fiscal year 2008-09 assessed valuation in the Project Area by category of land use is shown in the following table. This information is based on land use designations as provided by the County Assessor.

TABLE 3
NORTH PARK REDEVELOPMENT PROJECT
BREAKDOWN OF ASSESSED VALUATION BY CATEGORY OF LAND USE
(as of January 1, 2008)

Land Use	No. of Parcels[1]	Secured Total Net Assessed Value[2]	Percent of Net Assessed Value
Residential Property (land use codes 07 through 19)			
Vacant Residential	13	$ 998,223	0.09%
Single Family Residential	558	132,824,717	11.62
Multi-Family Residential	820	403,900,958	35.34
Condominium	1,372	325,517,888	28.48
Miscellaneous	1	124	0.00
Subtotal	2,764	$863,241,910	75.53%
Commercial Property (land use codes 20 through 39)			
Office Space	379	$164,577,194	14.40%
Retail	50	52,810,338	4.62
Vacant Land	33	7,769,089	0.68
Other Uses	54	35,349,263	3.09
Subtotal	516	$260,505,884	22.79%
Industrial Property (land use codes 40 through 49)	23	$7,397,555	0.65%
Institutional Property (land use codes 70 through 79)	21	$9,421,226	0.82%
Recreational Property (land use codes 80 through 84)	3	$527,141	0.05%
Miscellaneous Use (land use codes 88 through 89 and 00)	12	$1,790,350	0.16%
Total	3,339	$1,142,884,066	100.00%

Source: San Diego County Assessor, as reported by David Taussig & Associates, Inc. See APPENDIX D—"FISCAL CONSULTANT'S REPORT."

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final Fiscal Year 2008-09 Assessor's Roll.

(2) Assessed value information provided by the San Diego County Assessor differs slightly from assessed value information provided by the San Diego County Auditor. See footnote 1 to Table 4 below and "Section II Project Taxable Values" in APPENDIX D—"FISCAL CONSULTANT'S REPORT."

The following table shows the actual assessed values for the Project Area for Fiscal Years 2004-05 to 2008-09 based upon the County Auditor equalized rolls and incremental values of property within the Project Area and the exclusion of assessed values from the unsecured roll.

TABLE 4
NORTH PARK REDEVELOPMENT PROJECT
HISTORICAL TAXABLE VALUES AND TOTAL INCREMENTAL VALUE(1)
(Fiscal Years Ended June 30)

	2005	2006	2007	2008	2009
Secured Values(2)					
Land	$328,786,859	$416,522,646	$488,002,024	$583,794,621	$627,803,657
Improvement	377,598,097	411,121,443	464,133,877	543,83,646	549,805,774
Personal Property	1,034,585	1,345,318	1,263,082	2,284,650	2,134,494
Gross Value	707,419,541	828,989,407	953,398,983	1,129,915,917	1,179,743,25
Less Exemptions	(12,535,963)	(13,282,156)	(14,545,386)	(15,104,908)	(28,172,859)
Total Secured	$694,883,578	$815,707,251	$938,853,597	$1,114,811,009	$1,151,57,066
Unsecured Values(3)					
Land	0	0	0	0	0
Improvement	$ 5,973,344	$ 5,822,960	$ 5,848,373	$ 5,798,817	$ 6,114,373
Personal Property	11,613,698	11,144,665	12,097,153	12,972,017	12,338,763
Gross Value	17,587,042	16,967,625	17,945,526	18,770,834	18,453,136
Less Exemptions	(701,121)	(655,788)	(656,536)	(1,610,655)	(1,294,381)
Total Unsecured	$16,885,921	$16,311,837	$17,288,990	$17,160,179	$17,158,755
Total Secured and Unsecured	$711,769,499	$832,019,088	$956,142,587	$1,131,971,188	$1,168,729,821
Percentage Change in Total Value	11.78%	16.89%	14.92%	18.39%	3.25%
Base Year Value					
Incremental Value(5)	$288,218,469	$408,468,058	$532,591,557	$708,420,158	$745,178,791
Percentage Change in Incremental Value	35.17%	41.72%	30.39%	33.01%	5.19%(4)

Source: San Diego County Auditor, as reported by David Taussig & Associates, Inc. See APPENDIX D—"FISCAL CONSULTANT'S REPORT."

(1) This table is based on values provided by the County of San Diego Auditor. However, the Fiscal Consultant's Report notes that there are discrepancies in the total net assessed values reported by the County Auditor from those reported by the San Diego County Assessor, due to procedural differences and timing of obtaining data. Tables 3 and 5 are based on the County Assessor assessed values and the unsecured assessed values in those tables are based on the County Auditor values.
(2) Based on the final Fiscal Year 2008-2009 secured Assessor Roll.
(3) Based on information provided by the County of San Diego Auditor/Controller as indicated in "Report Val File-04 PSVVP70@."
(4) Additional information regarding the slower rate of increase in the overall total value for Fiscal Year 2008-2009 can be found in Table 8 in the Fiscal Consultant's Report in Appendix D. Most of the reduction value in Fiscal Year 2008-2009 was due to assessment appeals and Proposition 8 reductions.
(5) Taxable Value above base year value of $423,551,030.

As shown in the foregoing table, assessed values for property located within the Project Area experienced double-digit percentage increases from Fiscal Year 2001-2002 through Fiscal Year 2007-2008. According to the Fiscal Consultant's Report, much of this annual increase can be attributed to changes in ownership and new development which resulted in the construction of approximately 350 new residential units since Fiscal Year 2001-2002. During this time period, the Agency completed the redevelopment of the mixed-use La Boheme Redevelopment Project and the Renaissance at North Park Redevelopment Project in 2006, which added approximately $62,000,000 and $32,000,000, respectively, to the secured tax roll. Most of the reduction in growth in incremental value in Fiscal Year 2008-2009 from recent prior fiscal years was due to assessment appeals and Proposition 8 appeals (see Table 8 in the Fiscal Consultant's Report in Appendix D).

The aggregate total taxable value for the ten largest taxpayers, by assessed value, in the Project Area for Fiscal Year 2008-09 totals $77,075,764. This amount is approximately 10.34% of the $745,178,791 Project Area incremental value and 6.74% of the $1,168,729,821 total Project Area assessed value. Information regarding the ten largest taxpayers in the Project Area is set forth in the following table.

TABLE 5
NORTH PARK REDEVELOPMENT PROJECT
FISCAL YEAR 2008-09 LARGEST PROPERTY TAXPAYERS BY ASSESSED VALUE

Property Owner	Primary Land Use	No. of Parcels[1]	2008-09 Assessed Value[2]	% of Total Value	% of Inc. Value[3]
Hampstead Lafayette Hotel LLC[6]	Hotel/Motel	1	$12,412,215	1.09%	1.67%
Rancho-Sunrise Hotel Corporation	Store Building, Garage/Parking Lot/Used Car Lot, Vacant Commercial	5	10,424,400	0.91	1.40
American Stores Company LLC	Grocery/Drug Store	1	8,219,160	0.72	1.10
Garfield Beach CVS LLC & 9141 San Diego CA-CM LP	Grocery/Drug Store	1	8,058,000	0.71	1.08
Vons Companies Inc	Grocery/Drug Store	1	6,817,617	0.60	0.91
McEwen Otay LLC & Wiesner Carol B Trust 02-21-95	Store Building	1	6,485,000	0.57	0.87
Arbor Terrace	Multi-Family Residential	8	6,312,000	0.55	0.85
NPW 2930 LLC	Store Building, Vacant Commercial	2	6,305,000	0.55	0.85
D&A Semi Annual Mortgage Fund III LP[4, 5]	Residential, Store Building	25	6,284,000	0.55	0.84
Ventas Realty LP	Hospital	1	5,758,372	0.50	0.77
Totals		46	$77,075,764	6.74%	10.34%

Total Net Assessed Value of Top 5 Owners:	$45,931,392
Total Net Assessed Value of Top 10 Owners:	$77,075,764
Total Tax Increment Value:	$745,178,791
Percentage of Assessed Values For Top 5 Owners to Total Net Value:	4.02%
Percentage of Assessed Values For Top 5 Owners to Total Tax Increment Value:	6.16%
Percentage of Assessed Values For Top 10 Owners to Total Net Value:	6.74%
Percentage of Assessed Values For Top 10 Owners to Total Tax Increment Value:	10.34%

Source: San Diego Assessor 2008-09 Secured and Unsecured Tax Rolls, as reported by David Taussig & Associates, Inc. See APPENDIX D—"FISCAL CONSULTANT'S REPORT."

(1) Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final Fiscal Year 2008-09 San Diego County Assessor's Roll.
(2) Based on final Fiscal Year 2008-2009 San Diego County Assessor's Roll. Assessed value information provided by the San Diego County Assessor differs slightly from assessed value information provided by the San Diego County Auditor. See footnote 1 to Table 4 above and "Section II Project Taxable Values" in APPENDIX D—"FISCAL CONSULTANT'S REPORT."
(3) Based on Fiscal Year 2008-2009 total tax increment value of $745,178,791.
(4) D&A Semi Annual Mortgage Fund III LP has contested the value of their 21 residential units, claiming it should be reduced to $4,007,220. The appeal has not yet been resolved by the County.
(5) Property owner is the beneficiary of two promissory note agreements entered into on October 14, 2008 which are to be repaid by Hampstead Lafayette Hotel, LLC in the principal amounts of $3,500,000 and $8,250,000.
(6) Property owner is the payor of two promissory note agreements entered into on October 14, 2008 which are to be repaid by Hampstead Lafayette Hotel, LLC in the principal amounts of $3,500,000 and $8,250,000.

As indicated in footnotes 4 and 5 above, two of the property owners listed in the foregoing table, Garfield Beach CVS LLC & 9141 San Diego CA – CM LP, and D&A Semi Annual Mortgage Fund III LP, are currently appealing the assessed values of some or all of their property. See "THE PROJECT AREA—Appeals of Assessed Values." The Fiscal Consultant, in its projection of Tax Revenues, has assumed that these appeals, and all other pending property owner assessment appeals (that are not Proposition 8 appeals) will be resolved in the respective property owner's favor.

Annual Tax Receipts to Tax Levy

The Agency received a total of $7,930,701 in tax increment revenue from the Redevelopment Project for fiscal year 2007-08. This total is approximately 111.48% of the expected tax increment revenues based upon reported assessed values for the Project Area for such Fiscal Year and the applicable tax rate. Actual receipts in excess of the expected levy based on assessed values are generally attributable to penalties and interest in connection with delinquent property tax payments subsequently collected by the County. See Table 7 in APPENDIX D—"FISCAL CONSULTANT'S REPORT" for a detail of historical receipts to the computed secured tax levy for the nine most recent fiscal years.

Appeals of Assessed Values

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board (the "Appeals Board"). After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor or the Appeals Board may set its own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

Any reduction in the assessment ultimately granted applies to the year for which application is made and during which the written application was filed. After a reduction is allowed, the property is reviewed on an annual basis to determine its full cash value and the valuation may be adjusted accordingly. This may result in further reductions or increases in value. Such increases are in accordance with the actual cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIIIA of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it is once again subject to the annual inflationary growth rate allowed under Article XIIIA.

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

Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

The Fiscal Consultant reports that, as of April 16, 2009, there were 310 unresolved appeals regarding property in the Project Area. Table 4 in the Fiscal Consultant's Report in

Appendix D shows recent historical assessment appeals in the Project Area, providing information with respect to the 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 (see discussion below), 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. The Fiscal Consultant advises that, for purposes of projecting future Tax Revenues (see Tables 6 and 7 under the subheading "Tax Revenue Projections" below), the Fiscal Consultant has estimated that pending appeals will be resolved at each respective applicant's opinion of value, and that the applicant's opinion of value is, on average, equal to 72% of the contested value. See "Section II Project Taxable Values – D. Assessment Appeals" in the Fiscal Consultant's Report in Appendix D.

In addition to reductions in assessed valuations in the Project Area due to appeals, the County Assessor also may reduce assessed values pursuant to Section 51 of the California Revenue and Taxation Code (referred to as "Proposition 8" reductions). This code section requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Increases reflect the actual full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIIIA of the State Constitution. Once the property has regained its prior value, adjusted for inflation it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

The Section in the Fiscal Consultant's Report in Appendix D entitled "Section II – Project Taxable Values – D. Assessment Appeals – 2. Appeals Information Provided by the County" contains information provided by the County Assessor regarding Proposition 8 reduction requests for properties located throughout the County, in addition to formal assessment appeals for properties throughout the County. The County continues to receive Proposition 8 reduction requests at a rate of approximately 5,000 applications per week. The County Assessor has advised that it expects that over 200,000 properties County-wide will see a reduced assessed value for Fiscal Year 2009-2010.

The Fiscal Consultant, in its Report in Appendix D, advises that, based on the work to date by him on the Fiscal Year 2009-2010 roll, the County Assessor estimates a Countywide reduction in net assessed value for such Fiscal Year of approximately 4%. This reduction is based on economic factors such as lower sales prices and reduced levels of new construction, as well as Fiscal Year 2009-2010 appeals/reductions processed through May 12, 2009. The Fiscal Consultant has further advised that the County Assessor estimates smaller reductions of 3% and 2% for Fiscal Years 2010-2011 and 2011-2012, respectively, based on historical trends. It is important to note that the foregoing discussion relates to the County as a whole, and not specifically to the Project Area; and that, in any event, the actual reduction to tax increment revenues for future years may be higher or lower for a number of different reasons, including filing of additional appeals in future years. See "Section II Project Taxable Values – D. Assessment Appeals" in the Fiscal Consultant's Report in Appendix D.

Pass-Through Payments

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

Under Section 33607.5, with certain exceptions, with respect to a redevelopment plan or a territory-adding amendment adopted after January 1, 1994, commencing with the first fiscal year in which the agency receives tax increment revenues for the affected project area (or the affected added territory) and continuing through the last fiscal year in which the agency receives tax increment revenues, the agency must pay to the affected Taxing Agencies an amount equal to 25 percent of the tax increment revenues received by the agency after the amount required to be deposited in the agency's low and moderate income housing fund has been deducted. See "SECURITY FOR THE BONDS—Allocation of Taxes" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAX REVENUES—Low and Moderate Income Housing." Commencing with the 11th fiscal year in which the agency receives tax increment revenues for the affected project area (or the affected added territory) and continuing through the last fiscal year in which the agency receives tax increment revenues, the agency shall pay to the affected Taxing Agencies (other than the city that established such redevelopment agency), in addition to the amounts paid pursuant to the preceding sentence and after deducting the amount allocated to the agency's low and moderate income housing fund, an amount equal to 21 percent of the portion of tax increment revenues received by the agency, which will be calculated by applying the tax rate against the amount of assessed value by which the current year assessed value exceeds the first adjusted base year assessed value. The first adjusted base year assessed value for the 21 percent additional pass-through is the assessed value of the project area (or the affected added territory) in the 10th fiscal year in which the agency receives tax increment revenues. Additional amounts are payable commencing with the 31st year.

A redevelopment agency's obligations to make Section 33607.5 Payments are not subordinate to the redevelopment agency's obligations with respect to the agency's loans or bonds unless the incurrence of such debt satisfies certain conditions and the affected taxing entity does not object to the subordination on grounds permitted by Section 33607.5. The definition of Tax Revenues in the Indenture specifically excludes the Agency's Section 33607.5 Payments applicable to the Redevelopment Project; and the Tax Revenue projections set forth herein and in the Fiscal Consultant's Report in Appendix D assume that none of the Section 33607.5 Payments are subordinate to the Bonds. See APPENDIX D—"FISCAL CONSULTANTS' REPORT."

Tax Revenue Projections

The table below shows the projected growth of assessed valuation in the Redevelopment Project and the resulting net tax increment revenues for fiscal year 2008-09 as estimated by the Fiscal Consultant.

TABLE 6
NORTH PARK REDEVELOPMENT PROJECT
ESTIMATE OF TAX REVENUE FOR FISCAL YEAR 2008-09

	FY 2008-2009 Taxable Value	Base Taxable Value	Incremental Taxable Value
Secured Values[1]			
Land	$627,803,657	$196,484,726	$431,318,931
Improvement	549,805,774	222,640,198	327,165,576
Personal Property	2,134,494	2,523,329	(388,835)
Gross Value	1,179,743,925	421,648,253	758,095,672
Less Exemptions	(36,859,859)	(8,911,306)	(27,948,553)
Total Secured	$1,142,884,066	$412,736,947	$730,147,119
Unsecured Values[2]			
Improvements	$6,114,373	$4,348,700	$1,765,673
Personal Property	12,338,763	6,465,383	5,873,380
Gross Value	18,453,136	10,814,083	7,639,053
Less Exemptions	(1,294,381)	0	(1,294,381)
Total Unsecured	$17,158,755	$10,814,083	$6,344,672
Total Secured and Unsecured	$1,160,042,821	$423,551,030	$736,491,791
Estimated Valuation Adjustments			
Anticipated Value Reduction[4]			(3,527,376)
Assessment Appeal Valuation Reductions:			(48,511,605)[10]
Adjusted Incremental Secured and Unsecured			$684,452,810
Gross Increment Revenue @ 1.00930%[3]			$6,908,182
Unitary Revenue[5]			14,881
Supplemental Roll[6]			0
Offsets to Gross Estimated Revenue Administrative Expenses[7]			(69,082)
Net Tax Increment Revenue			$6,853,982
Low/Moderate Income Housing Set-Aside Revenue			(1,370,796)
Taxing Agencies Pass Throughs (AB 1290)[8]			(1,381,636)
Payments to Educational Revenue Augmentation Fund (ERAF)[9]			0
Non-Housing Tax Increment Revenue			$4,101,549

Source: David Taussig & Associates, Inc. See APPENDIX D—"FISCAL CONSULTANT'S REPORT."
(1) Based on the final Fiscal Year 2008-09 secured San Diego County Assessor Roll.
(2) Based on information provided by the County of San Diego Auditor/Controller report "Val File-04 PSVVP70@".
(3) The actual tax rate of 1.00930% is used for Fiscal Year 2008-2009. A 1.00% tax rate is used for Fiscal Years 2009-2010 and following in Table 7 below.
(4) Represents estimated reduction in assessed value due to affordable housing projects that will result in property being removed from the tax roll. See "Section IV – B. New Development" in the Fiscal Consultant's Report in Appendix D.
(5) Based on information for FY 2007-2008 provided by the County of San Diego Auditor/Controller.
(6) David Taussig & Associates, Inc. has assumed that the supplemental roll will not produce additional tax increment revenue.
(7) Estimated at 1.00% of the gross revenue for the Project Area.
(8) Based on 20% of Gross Increment Revenue. See "THE PROJECT AREA—Pass-Through Payments."
(9) Based on the decision handed down by the Superior Court in Sacramento on April 30, 2009, the Agency is not obligated to pay the Fiscal Year 2008-2009 ERAF payment. See "BONDOWNERS' RISKS—State Budget; ERAF Shift."
(10) Based on pending appeals for Fiscal Year 2007-08 and 2008-09, and appeals which were resolved after the County Assessor roll was finalized for Fiscal Year 2008-2009. Actual reduction based on appeals will vary. See "THE PROJECT AREA—Appeals of Assessed Values."

The foregoing estimate by the Fiscal Consultant (also referred to below as "DTA") is taken from the Fiscal Consultant's Report, in which the Fiscal Consultant states that: "The report is based on estimates, assumptions and other information developed from DTA's research and telephone discussions with County staff, as well as our understanding of County tax procedures. The sources of information and basis of the estimates are stated herein. While we believe that the sources of information are reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. In addition, since the analyses contained herein are based on legislation and County procedures, which are inherently subject to uncertainty and variation depending on evolving events and policy changes, DTA cannot represent them as results that will definitely be achieved. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary from the projections."

Debt Service Coverage

The following table depicts the projected Tax Revenues available to pay debt service on the Senior Bonds and on the Bonds, as estimated by the Fiscal Consultant.

TABLE 7
NORTH PARK REDEVELOPMENT PROJECT
PROJECTION OF TAX REVENUES

Fiscal Year	Real Property[1]	Other Property[2]	Total Value	Value Over Base Year	Tax Increment[3]	33607.5 Adjustment[4]	Prop Tax Admin Fees[5]	Housing Set-Aside	Non-Housing Tax Revenues
2008-09	$1,094,824,964	$13,178,876	$1,108,003,840	$684,452,810	$6,923,064	($1,381,636)	($69,082)	($1,370,796)	$4,101,549
2009-10	1,051,031,965	13,178,876	1,064,210,841	640,659,811	6,421,480	(1,281,320)	(64,066)	(1,271,483)	3,804,611
2010-11	1,019,501,006	13,178,876	1,032,679,882	609,128,852	6,106,170	(1,218,258)	(60,913)	(1,209,051)	3,617,948
2011-12	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2012-13	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2013-14	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2014-15	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2015-16	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2016-17	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2017-18	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2018-19	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2019-20	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2020-21	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2021-22	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2022-23	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2023-24	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2024-25	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2025-26	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2026-27	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2027-28	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2028-29	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2029-30	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2030-31	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2031-32	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2032-33	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2033-34	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2034-35	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2035-36	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2036-37	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2037-38	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239
2038-39	999,110,986	13,178,876	1,012,289,862	588,738,832	5,902,270	(1,177,478)	(58,874)	(1,168,679)	3,497,239

Source: David Taussig & Associates, Inc. See APPENDIX D—"FISCAL CONSULTANT'S REPORT."

(1) The value for real property for Fiscal Year 2008-09 through Fiscal Year 2011-2012 has been reduced by the estimated impact of Proposition 8 reductions and assessment appeals, as well as predicted Countywide reductions in assessed values for Fiscal Years 2009-2010, 2010-2011 and 2011-2012. See "THE PROJECT AREA—Appeals of Assessed Values."

(2) Includes the value of secured personal property, unsecured personal property, and state-assessed railroad and non-unitary property.

(3) Based on the application of applicable tax rate of 1.00930% for Fiscal Year 2008-2009 and 1.00% thereafter to incremental taxable value. Includes estimated annual unitary revenues of $14,881.

(4) Section 33607.5 Payments allocated to other taxing agencies. See "THE PROJECT AREA—Pass-Through Payments."

(5) Per SB 2557, reflects Project Area share of the County's property tax administrative costs.

The following table sets forth the projected Tax Revenues and debt service coverage, for the life of the Bonds.

TABLE 8
NORTH PARK REDEVELOPMENT PROJECT
PROJECTION OF TAX REVENUES, DEBT SERVICE AND DEBT SERVICE COVERAGE

Fiscal Year	Projected Non-Housing Tax Revenues(1)	Scheduled Debt Service on Senior Bonds Payable from Non-Housing Tax Revenues(2)	Non-Housing Tax Revenues Available for Debt Service on the Bonds	Scheduled Debt Service on Bonds(3)	Debt Service Coverage(4)
2008-09	$4,101,549	$ 949,106	$3,152,443	$ 174,551	18.06
2009-10	3,804,611	948,505	2,856,106	592,816	4.82
2010-11	3,617,948	950,697	2,667,251	592,816	4.50
2011-12	3,497,239	945,146	2,552,093	899,675	2.84
2012-13	3,497,239	948,346	2,548,893	899,675	2.83
2013-14	3,497,239	947,485	2,549,754	899,675	2.83
2014-15	3,497,239	949,193	2,548,046	899,675	2.83
2015-16	3,497,239	949,074	2,548,165	899,675	2.83
2016-17	3,497,239	947,985	2,549,254	899,675	2.83
2017-18	3,497,239	949,611	2,547,628	899,675	2.83
2018-19	3,497,239	952,899	2,544,340	899,675	2.83
2019-20	3,497,239	951,003	2,546,236	899,675	2.83
2020-21	3,497,239	950,688	2,546,551	1,199,675	2.12
2021-22	3,497,239	951,543	2,545,696	1,197,875	2.13
2022-23	3,497,239	951,677	2,545,562	1,200,156	2.12
2023-24	3,497,239	949,381	2,547,858	1,200,894	2.12
2024-25	3,497,239	948,994	2,548,245	1,200,038	2.12
2025-26	3,497,239	953,535	2,543,704	1,196,600	2.13
2026-27	3,497,239	1,000,519	2,496,720	1,151,913	2.17
2027-28	3,497,239	1,169,848	2,327,391	983,475	2.37
2028-29	3,497,239	1,169,365	2,327,874	979,100	2.38
2029-30	3,497,239	1,171,579	2,325,660	979,100	2.38
2030-31	3,497,239	1,297,331	2,199,908	852,525	2.58
2031-32	3,497,239	1,292,488	2,204,751	858,100	2.57
2032-33	3,497,239	1,295,206	2,202,033	857,700	2.57
2033-34	3,497,239		3,497,239	2,151,650	1.63
2034-35	3,497,239		3,497,239	2,150,775	1.63
2035-36	3,497,239		3,497,239	2,148,725	1.63
2036-37	3,497,239		3,497,239	2,150,175	1.63
2037-38	3,497,239		3,497,239	2,149,475	1.63
2038-39	3,497,239		3,497,239	2,151,300	1.63

(1) Estimated, from Table 7 above.
(2) While up to twenty-four percent (24%) of the scheduled debt service on the Outstanding Senior Bonds is payable from Housing Set-Aside Revenues, the Agency expects to pay only twenty percent (20%) of such scheduled debt service from Housing Set-Aside Revenues. See "SECURITY FOR THE BONDS—Senior Lien on Tax Revenues." Accordingly, amounts shown in this column represent eighty percent (80%) of the scheduled debt service on the Outstanding Senior Bonds.
(3) Estimated, based on an average interest rate for the Bonds of approximately 6.45%, and net of capitalized interest expected to be funded with Bond proceeds. See "ESTIMATED SOURCES AND USES OF FUNDS," and "SECURITY FOR THE BONDS—Special Fund – Deposit of Tax Revenues – Interest Account."
(4) Non-Housing Tax Revenues Available for Debt Service on the Bonds divided by Scheduled Debt Service on the Bonds.

No assurances are provided by the Agency as to the certainty of the projected tax increment revenues shown on the foregoing tables. Actual revenues may be higher or lower than what has been projected and are subject to valuation changes resulting from new developments or transfers of ownership not specifically identified herein, actual resolution of outstanding appeals, future filing of appeals, or the non-payment of taxes due.

BONDOWNERS' RISKS

The following discussion of certain risk factors is not intended to be a complete list of the risks associated with the purchase of the Bonds and does not purport to reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider the following factors, among others, and to review the other information in this Official Statement in evaluating an investment in the Bonds. In addition, there can be no assurance that other risk factors will not become material in the future.

Limited Obligations

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM THE TAX REVENUES, AS DESCRIBED HEREIN, AND AMOUNTS IN CERTAIN ACCOUNTS MAINTAINED UNDER THE INDENTURE, AND ARE NOT A DEBT OF THE AUTHORITY, THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE AGENCY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), AND NONE OF THE AUTHORITY, THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY), IS LIABLE THEREFOR. THE BONDS ARE NOT PAYABLE FROM, AND ARE NOT SECURED BY, ANY FUNDS OF THE AGENCY, OTHER THAN THE TAX REVENUES AND OTHER MONEYS EXPRESSLY PLEDGED PURSUANT TO THE INDENTURE. NEITHER THE MEMBERS OF THE GOVERNING BOARD OF THE AGENCY NOR ANY PERSONS RESPONSIBLE FOR THE EXECUTION OF THE BONDS IS LIABLE PERSONALLY FOR PAYMENT OF THE BONDS.

Reduction in Assessed Value

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

Tax increment payments are also adjusted by refunds due to successful assessment appeals, which are apportioned on a countywide basis. See "THE PROJECT AREA—Appeals of Assessed Values" herein. The Agency also receives revenues from paid delinquent taxes and penalties, which are allocated in part on an apportionment basis (one percent taxes) and in part on the basis of payments actually assignable to Project Area properties. See "THE PROJECT AREA—Annual Tax Receipts to Tax Levy." Other events that are beyond the control of the Agency could occur and cause a reduction in Tax Revenues, thereby impairing the ability of the Agency to make payments of principal and interest and premium (if any) when due on the Bonds on a timely basis.

The Fiscal Consultant has made certain assumptions with regard to the availability of tax increment revenues to estimate the total revenues available to pay debt service on the Bonds. The Agency believes these assumptions to be reasonable, but to the extent the Tax Revenues are less than anticipated, including for any of the reasons described herein, the total revenues available to pay debt service on the Bonds may be less than those projected herein. No independent third party has reviewed the estimates or assumptions made by the Fiscal Consultant in the Fiscal Consultant's Report in Appendix D and as reflected in Tables 7 and 8 under the heading "THE PROJECT AREA—Debt Service Coverage," unless specifically referenced in the Fiscal Consultant's Report or in the text of this Official Statement.

Reduction in Inflationary Rate

Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described herein). This measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Tax Revenues. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAX REVENUES."

Real Estate and General Economic Risks

The general economy of the area in and surrounding the Project Area is subject to all the risks generally associated with real estate and real estate development. Projected redevelopment of real property within and around the Project Area by the Agency and private development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within and around the Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control certain kinds of development. If development and redevelopment activities in the Project Area encounter significant obstacles of the kind described herein or other impediments, the economy of the area in and around the Project Area could be adversely affected, causing reduction of the Tax Revenues. In addition, if there is a decline in the general economy of the region, the City or the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of tax revenues received by the Agency from the Project Area.

Assessment Appeals

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

The County Assessor's Office has stated that assessment appeals throughout the County have increased significantly. See "THE PROJECT AREA—Appeals of Assessed Values" and "Section II Project Taxable Values – D. Assessment Appeals" in the Fiscal Consultant's Report in APPENDIX D. No assurance can be given that there will not be additional assessment appeals for properties in the Project Area. Reductions in taxable values in the Project Area resulting from successful appeals by property owners and Proposition 8 reductions will reduce the amount of Tax Revenues available to pay the principal of and interest on the Bonds. However, in its projection of Tax Revenues, the Fiscal Consultant has conservatively assumed that all pending appeals filed by property owners (that are not Proposition 8 appeals) will be resolved in the respective property owner's favor, and the Fiscal Consultant has assumed that reductions of 4%, 3% and 2% of the total real property assessed values for Fiscal Years 2009-2010, 2010-2011, 2011-2012, respectively will occur in light of recent Proposition 8 appeal activity.

Investment of Tax Revenues and Other Funds

Tax Revenues from the County are deposited in the City's Investment Pool prior to their transfer to the Trustee for deposit by the Trustee in the Special Fund established under the Indenture. Under the Indenture, moneys in the Special Fund, the Interest Account, the Principal Account, the Reserve Account, and the Redemption Account, as applicable, must be invested by the Trustee in Permitted Investments (as defined in the Indenture), and moneys in the Redevelopment Fund must be invested by the Agency in Permitted Investments. See APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions." The Agency cannot predict the impact on the investment of any Tax Revenues by the Agency if the City experiences significant losses in its Investment Pool.

Certain Bankruptcy Risks

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

Risk of Earthquake or Other Disaster

The State, including the City, is subject to periodic earthquake activity. There are several faults in and near the San Diego area that pose earthquake hazards to the 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 Project Area. Earthquake faults and other natural conditions may change over time, potentially increasing the risk of disasters.

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

Hazardous Substances

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

Property Tax Payment Delinquencies

Delinquencies in the payment of tax bills recently have increased significantly throughout the County. The County has offered an alternative method of tax apportionment pursuant to Section 4701 of the Revenue and Taxation Code of the State, known as the "Teeter Plan," to all taxing agencies, districts, redevelopment agencies and non–county treasury legal depositories in the County. The Agency has elected not to participate in the Teeter Plan. The Agency expects to receive revenues from paid delinquent taxes and penalties, which are allocated in part on an apportionment basis (one percent taxes) and in part on the basis of payments actually assignable to Project Area properties, but there is no guaranty that the Agency will receive property tax payment delinquencies in the Project Area in the future. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAX REVENUES—Property Tax Collection Procedures" herein. Further, a significant increase in delinquencies could result in a reduction of Tax Revenues, which could impair the ability of the Agency to make payments of principal of and interest on the Bonds when due.

The Fiscal Consultant, in its Report in Appendix D, advises that delinquency information for the Project Area was researched with the County on April 30, 2009. As of that date, 287 parcels (8.56% of the total parcels) in the Project Area were delinquent in the payment of secured Fiscal Year 2008-2009 property taxes to the County Tax Collector. The Fiscal Consultant also advises in its Report that information regarding foreclosure proceedings for residential parcels within zip code 92104, which fully encompasses the Project Area, but also includes areas outside the Project Area (zip code 92104 encompasses over 22,000 residential units while the Project Area encompasses 6,913 residential units), was researched through RealtyTrac on May 14, 2009. As of such date, 305 residential properties had Notices of Default recorded with the County of San Diego, 93 residential properties were undergoing a trustee's sale, and 339 residential properties were bank-owned. Because the subject Zip Code includes more than three times the residential units situated in the Project Area, the actual number of residential properties within the Project Area which are affected by foreclosure proceedings will be less than stated in the preceding sentence.

Change in Law

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

In addition, tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price for, or marketability of, the Bonds.

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

Additional Obligations

As described in "SECURITY FOR THE BONDS—Issuance of Parity Debt," the Agency's pledge of Tax Revenues to payment of debt service on the Bonds will be on a parity with the Agency's pledge of Tax Revenues under any Supplemental Indenture for any additional Parity Bonds. The potential for the issuance of Parity Bonds increases the risks associated with the Agency's payment of debt service on the Bonds in the event of a decrease in the Agency's collection of Tax Revenues.

Proposition 8 Adjustments

Proposition 8, approved in 1978 (section 51(b) of the California Revenue and Taxation Code), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed on a following lien date up to the lower of the then current fair market value or the factored base year value. Properties in the County, which may include properties in the Project Area, have been subject to Proposition 8 adjustments made by the County Assessor. See "THE PROJECT AREA—Appeals of Assessed Values" and "Section II Project Taxable Values – D. Assessment Appeals" in the Fiscal Consultant's Report in Appendix D.

Levy and Collection of Taxes

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the Bonds. Likewise, delinquencies in the payment of property taxes and the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse effect on the Agency's ability to make timely Bond payments. The Agency has elected not to participate in the Teeter Plan as to general taxes entered and collected on the secured tax roll (see "Property Tax Payment Delinquencies" above). Consequently, property tax revenues in the Project Area reflect actual collections. See "THE PROJECT AREA—Annual Tax Receipts to Tax Levy."

State Budget; ERAF Shift

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 of the foregoing 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, the State contends that Agency is obligated to make an ERAF payment of $11,500,000, of which amount the Agency allocated $431,660 to the Project Area. The California Redevelopment Association, along with two local redevelopment agencies and John Shirey, the Executive Director of the California Redevelopment Association (together, the "Petitioners"), brought suit in Superior Court in Sacramento seeking to invalidate portions of the State legislation that required the 2008-09 ERAF payments from redevelopment agencies, including the obligation to make such payments. On April 30, 2009, the Superior Court rendered a ruling in the case granting declaratory and injunctive relief to the Petitioners, invalidating and enjoining the operation of the legislation requiring the new 2008-09 ERAF payment and directing counsel for the Petitioners to prepare a proposed judgment consistent with the ruling. On May 7, 2009, the Superior Court entered a judgment enjoining the County Auditor class in the case (including the San Diego County Auditor) from taking actions to carryout or enforce any of the payment requirements in the California Health and Safety Code Sections 33685 through 33689 that required agencies to make the 2008-09 ERAF payment. Based on the judgment, the Agency does not intend to make any ERAF payment for fiscal year 2008-09 at this time; however, the Agency has budgeted and appropriated funds on hand sufficient to make the ERAF payment, and has covenanted in the Indenture to so make the 2008-09 ERAF payment should the Superior Court's ruling be reversed, set aside, or altered in such a way that the 2008-09 ERAF becomes due and payable. The State has filed a notice of intent to appeal the ruling of the Superior Court, and no assurance can be given with respect to the disposition of any such appeal. In any event, under Section 33685(a)(3) of the California Health and Safety Code, payment of 2008-09 ERAF is subordinate to the lien of any pledge of collateral securing the payment of any bonds of an agency, which would include the pledge of Tax Revenues to repay the Bonds.

The State of California is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the Agency has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the Agency (be reason of ERAF Shifts or otherwise), the Agency will be required to make adjustments to its budget.

The State Budget Act for Fiscal Year 2008-09 was signed by the Governor on September 23, 2008—the latest in state history. Thereafter, on-going weak economic conditions resulted in significant revenue shortfalls and the Governor declared a fiscal emergency and called special sessions of the Legislature to consider budget actions to address the problems. The Governor's proposed budget for Fiscal Year 2009-10, released December 31, 2008, estimated there would be a budget gap of more than $40 billion for the 18-month period ending June 30, 2010. Following lengthy budget negotiations, on February 19, 2009, the State Legislature passed revisions to the State Budget Act for the remainder of Fiscal Year 2008-09, as well as the State Budget Act for Fiscal Year 2009-¬10 and related legislation, which the Governor signed on February 20, 2009 after making additional line-item vetoes.

The State Budget Acts rely upon a combination of temporary and permanent measures, totaling $41.6 billion for the remainder of FY 2008-09 and FY 2009-10. The main elements of the budget compromise are about $14.9 billion in expenditure reductions, $12.5 billion in revenue adjustments (primarily tax increases), $7.9 billion in new funding for the State to be received as a result of enactment of the federal American Recovery and Reinvestment Act ("ARRA"), and $5.4 billion in borrowing. Approximately $5 billion of the proposed borrowing would be derived from securitization of future State Lottery revenues that was dependent upon changes to the State Lottery law that were subject to a special state-wide election held on May 19, 2009. The Governor vetoed an additional $957 million of expenditures from the FY 2009-10 Budget Bill voted by the Legislature, leaving an estimated budget reserve of $2 billion at June 30, 2010. As part of the legislative package that included the State Budget Acts, a proposal to establish a new State spending cap also was placed on the May 19 special election ballot together with other political and budgetary measures.

On May 14, 2009, Governor Schwarzenegger released his May revision to the State budget (the "May Budget Revise"). The Governor made two proposals, contingent on the outcome of the May 19 special election, in which six measures affecting the State's fiscal crisis were presented to the voters.

The first proposal in the May Budget Revise assumes that the voters approved the six measures and assumes a $15.4 billion deficit. The second proposal assumes those measures were rejected, in which case the deficit swells to $21.3 billion. Under the second proposal, the Governor proposes to borrow $2 billion in local property taxes under Proposition 1A to help close the deficit. Five of the six measures failed at the May special election. The measure which passed does not have a direct effect on State revenues or expenditures.

Under the first proposal, the projected $15.4 billion State budget deficit would be resolved through a variety of cuts, program consolidation and borrowing but without specific cuts to City revenue sources. Among other items, the May Budget Revise includes an additional $6 billion in borrowing from State-issued revenue anticipation warrants, a $3 billion reduction in funding to K-14 schools during Fiscal Year 2009 and Fiscal Year 2010, and a $1 billion reduction in funding to the State colleges and University of California.

Under the second proposal the projected $21.3 billion State budget deficit would be resolved through additional measures, including an additional $2.3 billion reduction in funding for K-14 school programs. The Governor's May Budget Revise includes no proposed takeaways of redevelopment funds.

The Governor's May Budget Revise reflects the Governor's proposals and the Legislature may not agree with many of the proposals. The Legislature will advance other proposals which could be beneficial or harmful to local governments, including the Agency. In any case, the State faces a major cash flow crisis in the summer of 2009 and the May Budget Revise is silent on infrastructure bond allocation, economic stimulus and other matters. It is likely, therefore, that additional proposals to address the State budget situation will emerge.

Additional information concerning State budget matters and the State's financial condition may be found on the website of the State of California Department of Finance at http://www.dof.ca.gov. Such website is not 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 website.

The Agency cannot predict whether the State Legislature will enact additional legislation impacting future Tax Revenues. Given the level of the State's budget deficit problems, it is possible that tax increment available for payment of the Bonds may be reduced in the future by actions of the State Legislature.

Federal Tax-Exempt Status of the Bonds

Tax-Exempt Status of Interest on the Bonds. The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Bond proceeds, limitations on the investment earnings of Bond proceeds prior to expenditure, a requirement that certain investment earnings on 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 Bonds as taxable, retroactively to the date of issuance of such 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 Bonds, if one is undertaken, will not adversely affect the tax-exempt status or market value of such Bonds.

Secondary Market

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAX REVENUES

Property Tax Limitations-Article XIIIA

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in October 1986 by initiative which exempts any bonded indebtedness approved by two-thirds (55% in certain instances) of the votes cast by the voters for the acquisition or improvement of real property from the one percent limitation.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIIIA. Proposition 58 amends Article XIIIA to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first $1,000,000 of other property between parents and children.

Proposition 60 amends Article XIIIA to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Challenges to Article XIIIA

There have been many challenges to Article XIIIA of the California Constitution. Recently, the United States Supreme Court heard the appeal in *Nordlinger v. Hahn,* a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIIIA did not violate the federal Constitution. The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIIIA.

The apportionment of property taxes in fiscal years after 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method discussed herein.

Unitary Property

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

Unitary revenue for the Project Area received as of June 30, 2007 was $14,881. The Project Area received a proportion of the increased amount as it was entitled to receive a share of the revenues. The projection of Tax Revenues in this Official Statement assumes the County will continue to remit unitary revenue in future years for the Redevelopment Project equal to the $14,881 remitted as of June 30, 2007. See "THE PROJECT AREA—Tax Increment Revenue Projections and Debt Service Coverage" and "Section III – Project Tax Increment Revenue Allocation – C. Unitary Taxes" in the Fiscal Consultant's Report in APPENDIX D.

Property Tax Collection Procedures

Classifications. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." Secured and unsecured properties 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 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.

Penalties. 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 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Delinquencies. The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become 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 the roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Supplemental Assessments. Legislation enacted in 1983 (Chapter 498, Statutes of 1983) provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such State supplemental assessments occur within the Redevelopment Project, the Tax Revenues for the Project Area may increase.

Tax Collection Fees. In 1990, the State Legislature enacted Senate Bill 2557 (Chapter 466, Statutes of 1990) ("SB 2557") which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. Two recent decisions have interpreted the provisions of SB 2557 and have upheld the inclusion of redevelopment agencies as a local government agency which must share the cost of property tax administration. The 1992 enactment of Senate Bill 1559 (Chapter 697) and the decision of the California Court of Appeal in *Arcadia Redevelopment Agency v. Ikemoto* have clarified that redevelopment agencies, such as the Agency, are to share in the cost of property tax administration charged by most California counties, including the County. During fiscal years 2006-07 and 2007-08, the County withheld approximately $43,559 and $52,451 respectively, from the Agency for such administrative costs with respect to the Project Area.

Appropriations Limitations-Article XIIIB

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 provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIIIB, nor will 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.

On State Board of Equalization and Property Assessment PracticesSeptember 10, 1998, the State Board of Equalization ("SBOE") approved revisions to its guidelines regarding the valuation of intangible business and commercial property for property tax purposes. The SBOE approved these revisions over the objections of the California Assessors Association ("CAA"), an organization representing all 58 County Assessors in California. The Agency is not able to predict whether the revised SBOE guidelines will cause any reductions in tax increment revenues and, hence, in Tax Revenues.

Exclusion of Tax Revenues for General Obligation Bonds Debt Service

An initiative to amend the California Constitution entitled "Property Tax Revenues Redevelopment Agencies" was approved by California voters at the November 8, 1988 general election. Under prior law, a redevelopment agency using tax increment revenue received additional property tax revenue whenever a local government increased its property tax rate to pay off its general obligation bonds. This initiative amended the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenues raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness.

The initiative only applies to tax rates levied to finance general obligation bonds approved by the voters on or after January 1, 1989. Any revenue reduction to redevelopment agencies would depend on the number and value of the general obligation bonds approved by voters in prior years, which tax rate will reduce due to increased valuation subject to the tax or the retirement of the indebtedness.

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 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.

AB 1290

In 1993, the California Legislature enacted Assembly Bill 1290 ("AB 1290") which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision that limits the period of time for incurring and repaying loans, advances and indebtedness payable from tax increment revenues. In general, a redevelopment plan may terminate not more than 40 years following the date of original adoption, and loans, advances and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan. See "THE PROJECT AREA—Redevelopment Plan Limitations."

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 has filed the required reports with the County Auditor-Controller, and on or about December 30, 2008, 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. In April of 2009, the State Controller's office issued a report which included the Agency on the list of redevelopment agencies with respect to which the County Auditor had concurred with their reports.

Future Initiatives

Article XIIIA, Article XIIIB 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.

Low and Moderate Income Housing

Sections 33334.2 and 33334.3 of the Redevelopment Law require redevelopment agencies to set aside not less than twenty percent of all tax increment revenues from project areas adopted after December 31, 1976 into a low and moderate income housing fund (the "Housing Set-Aside Requirement"). An agency can reduce the Housing Set-Aside Requirement if the agency annually makes certain findings, consistent with the General Plan Housing Element. These findings are that: (1) no need exists in the community to improve or increase the supply of low and moderate income housing; or, (2) some stated percentage less than 20 percent of the tax increment is sufficient to meet the housing need. In order to make findings (1) or (2), the Agency's finding must be consistent with the Housing Element of the community's General Plan, including its share of the regional housing needs of very low income households and persons and families of low or moderate income. The Agency has not made such findings in the past, and the Tax Revenues do not include any of the housing set aside revenues. However, a portion of the debt service on the Outstanding Senior Bonds is payable from the housing set-aside revenues (see "SECURITY FOR THE BONDS—Senior Lien on Tax Revenues").

Statement of Indebtedness

Under the Redevelopment Law, the Agency must file with the County Auditor a statement of indebtedness for the Redevelopment Project 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 all Additional Bonds) (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 include 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 statement 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.

CERTAIN LEGAL MATTERS

Legal Opinions

The legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Bond Counsel, approving the validity of the Bonds, will be made available to purchasers at the time of original delivery of the Bonds and the proposed form thereof appears in Appendix E hereto. Bond Counsel's employment as bond counsel is limited to a review of the legal proceedings required for the authorization of the Bonds and to rendering the opinion set forth in Appendix E hereto.

Quint & Thimmig LLP, San Francisco, California, is serving as Disclosure Counsel to the Agency. Certain legal matters will be passed upon for the Agency by the City Attorney of the City of San Diego, in his capacity as General Counsel to the Agency. Certain legal matters will be passed upon by the Underwriters by their counsel, Nossaman LLP, Irvine, California.

Payment of the fees and expenses of Bond Counsel and Disclosure Counsel is contingent upon the sale and delivery of the Bonds.

Enforceability of Remedies

The remedies available to the Trustee and to the registered owners of the Bonds upon an event of default under the Indenture and any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the Bonds are subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

RATING

Standard & Poor's Ratings Services ("S&P") has assigned its rating of "____" to the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

In September of 2004, S&P suspended all of the ratings it had theretofore provided for various outstanding debt obligations of the Agency in response to the inability of the Agency to provide audited financial statements. See "CONTINUING DISCLOSURE." With the release of its 2007-08 financial statements (see "THE AGENCY – Agency Financial Statements"), the Agency could apply to S&P to renew such ratings, but has not yet determined to do so other than with respect to the request for the rating for the Bonds described above.

CONTINUING DISCLOSURE

The Agency will covenant, pursuant to a continuing disclosure certificate (the "Continuing Disclosure Certificate") to be executed on the date of delivery of the Bonds, for the benefit of owners and beneficial owners of the Bonds, to provide a report (the "Annual Report") containing certain financial information and operating data related to the Agency and the Redevelopment Project by not later than 270 days following the end of the Agency's fiscal year (which currently ends June 30th), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system. The notices of material events will be filed by the Agency with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in the Form of Continuing Disclosure Certificate in Appendix F hereto. The covenants of the Agency in the Continuing Disclosure Certificate have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

The Agency has entered in continuing disclosure obligations under the Rule in connection with the issuance of bonds for several of its redevelopment project areas pursuant to which the Agency is obligated to file annual reports and notices of material events. Except as indicated below, the Agency filed the annual reports required under its existing continuing disclosure obligations, but did not provide financial statements with respect to Fiscal Years 2002-03 through 2007-08 for the outstanding obligations of the Agency identified in the following table, in part, because the City's financial statements were not available. See APPENDIX B—"CERTAIN INFORMATION REGARDING THE CITY OF SAN DIEGO AND THE SURROUNDING AREA – Recent Events Regarding the City." The Agency filed notices of failure to provide required annual financial information as required by its disclosure undertakings for Fiscal Years 2002-03 through 2007-08. Except as indicated below, the Agency has otherwise complied in all material respects in the last five years with each of its previous undertakings with regard to the Rule to provide annual reports or notices of material events.

Obligations for which the Agency Failed to Timely File
Complete Annual Reports in the Last Five Years(1)

City Heights Redevelopment Project Tax Allocation Bonds, Series 1999A and Series 1999B
City Heights Redevelopment Project 2003 Tax Allocation Housing Set-Aside Bonds, Series A and Series B
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000
North Park Redevelopment Project Tax Allocation Bonds, Series 2000
North Park Redevelopment Project 2003 Tax Allocation Bonds, Series A and Series B (Taxable)
Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2004C and Series 2004D (Taxable)
Centre City Redevelopment Project Tax Allocation Bonds, Series 1993 A (Taxable), Series 1993 B, Series 1999 A, Series 1999 B (Taxable), Series 1999 C, Series 2000A, Series 2000B, Series 2001A, Series 2003A, Series 2004A, Series 2004B, Subordinate Series 2006A and Series 2006B (Taxable)
Horton Plaza Tax Allocation Bonds, Series 1996 A, Series 1999 B, Subordinate Series 2000, Subordinate Series 2003A and Junior Lien Series 2003B
Horton Plaza Tax Allocation Housing Bonds, Series 2003C (Taxable)
Centre City Redevelopment Project Parking Revenue Bond, Series 1999A(2)
Centre City Redevelopment Project Subordinate Parking Bond, Series 2003B(2)
Pooled Financing Bonds Series 2007 (Southcrest, Central Imperial, Mount Hope)(2)
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995 (Taxable)
Mount Hope Redevelopment Project Area Tax Allocation Bonds, Series 1995 A (Tax-Exempt)
Mount Hope Redevelopment Project, Tax Allocation Refunding Bonds, Series 2002 A
Mount Hope Redevelopment Project, Pooled Financing Bonds, Series 2007 A (Taxable)
Central Imperial Redevelopment Project Pooled Financing Bonds, Series 2007 A (Taxable)
Central Imperial Redevelopment Project Pooled Financing Bonds, Series 2007 B (Tax Exempt)
Southcrest Redevelopment Project Pooled Financing Bonds, Series 2007 A (Taxable)
Southcrest Redevelopment Project Pooled Financing Bonds, Series 2007 B (Tax Exempt)

(1) Excludes the Mount Hope Redevelopment Project Area Tax Allocation Bonds, Series 1995 B (Taxable), the Southcrest Redevelopment Project Area Tax Allocation Bonds, Series 1995 (Tax-Exempt), the Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000, and the Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000, all of which were refunded with proceeds of the Pooled Financing Bonds, Series 2007 (Southcrest, Central Imperial, Mount Hope). Prior to their refunding, annual reports, exclusive of audited financial statements, had been filed for Fiscal Years 2002-03 through 2005-06. Audited financial statements for such Fiscal Years had not been filed. Notices of failure to provide required annual financial information had been filed for the applicable Fiscal Years.

(2) Continuing disclosure undertaking includes the filing of Agency financial statements and filing, by incorporation by reference, of City financial statements.

ABSENCE OF LITIGATION

At the time the Bonds are delivered, an officer of the Agency will certify that, to such Officer's knowledge, there is no litigation pending with respect to which the Agency has been served with process or know to be threatened against the Agency in any court or other tribunal of competent jurisdiction, State or federal, which seeks to enjoin or challenges the authority of the Agency to participate in the transactions contemplated by this Official Statement, the Bonds or the Indenture.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds is not included as an adjustment in the calculation of alternative minimum taxable income.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 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 the Bondowner will increase the Bondowner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond 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, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the Agency and others and 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 Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Agency has covenanted to comply with all such requirements.

The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bondowner's basis in the applicable 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 bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

FISCAL CONSULTANT

The Agency has retained the firm of David Taussig & Associates, Inc. to act as fiscal consultant (the "Fiscal Consultant") for the Agency with respect to the Project Area. As part of the duties of Fiscal Consultant, the Fiscal Consultant has prepared a Fiscal Consultant's Report concerning to Project Area and current and expected development activity therein. The full text of the Fiscal Consultant's Report is attached hereto as Appendix D.

FINANCIAL ADVISOR

The Agency has retained Kitahata & Company, San Francisco, California, as Financial Advisor for the sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

Kitahata & Company is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Bonds are being purchased for reoffering by E.J. De La Rosa & Co., Inc. and Sutter Securities Inc. (collectively, the "Underwriters"). The Underwriter has entered into an agreement with the Authority and the Agency pursuant to which the Authority has agreed to purchase the Bonds from the Agency, and to immediately resell the Bonds to the Underwriters, at a price of $__________ (being the initial principal amount of the Bonds of $_______, less an Underwriter's discount of $__________). The agreement pursuant to which the Underwriters will purchase the Bonds provides that the Underwriters will purchase all of the Bonds if any of the Bonds are purchased.

The Underwriters intend to reoffer the Bonds to the public initially at the prices or yields set forth on the inside cover page of this Official Statement, which yield may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in reoffering the Bonds to the public. The Underwriters may reoffer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to prospective purchasers of the Bonds. Quotations from, and summaries and explanations of, the Indenture and other documents and statutes contained herein do not purport to be complete, and reference is made to such documents, Indenture and statutes for full and complete statements of their provisions.

Unless otherwise noted, all information contained in this Official Statement pertaining to the Agency and the Redevelopment Project has been furnished by the Agency. Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the Bonds.

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

REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO

By: ______________________________

Its: ______________________________

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture of Trust which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive and reference should be made to the text of the Indenture of Trust for a full and complete statement of its provisions. All capitalized terms not defined in the body of the Official Statement have the meanings ascribed to them in the Indenture of Trust.

DEFINITIONS

Unless the context otherwise requires, the terms set forth below shall have the meanings ascribed to them as follows for all purposes of this Appendix A.

"Additional Allowance" means, as the date of calculation, the amount of Tax Revenues which, as shown in the Report of an Independent Financial Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increases in the assessed valuation of taxable property in the Project Area due to either (a) construction which has been completed but not yet reflected on the tax rolls, or (b) transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls. For purposes of this definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Project Area is estimated to increase above assessed valuation of taxable property in the Project Area (as evidenced on the written records of the San Diego County Auditor-Controller) as of the date in which such calculation is made.

"Agency" means the Redevelopment Agency of the City of San Diego, a public body corporate and politic duly organized and existing under the Law.

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

"Bond Counsel" means (a) Stradling Yocca Carlson & Rauth, a Professional Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency, of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Year" means each twelve-month period beginning on November 2 in any year and extending to the next succeeding November 1, both dates inclusive.

"Bonds" means 2009A Bonds and, to the extent required by any Supplemental Indenture, any other Parity Bonds authorized by and at any time Outstanding pursuant to the Indenture and such Supplemental Indenture.

"Business Day" means a day of the year, other than Saturday or Sunday, on which banks in Los Angeles, California, are not required or authorized to remain closed and on which The New York Stock Exchange is not closed.

"City" means the City of San Diego, California.

"Closing Date" means the date on which the 2009A Bonds are delivered by the Agency to the original purchasers thereof, and as to each series of Parity Bonds, the date on which such Parity Bonds are delivered by the Agency to the original purchasers thereof.

"Continuing Disclosure Agreement" means an undertaking entered into by the Agency relative to the Original Purchaser's obligations under Rule 15c2-12 of the Securities and Exchange Commission, as provided pursuant to the Indenture.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, filing and recording fees, initial fees and charges of the Trustee, and its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, costs of credit enhancement and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Defeasance Securities" means any of the following, or any combination thereof: (a) cash, (b) State and Local Government Series securities issued by the United States Treasury, (c) United States Treasury bills, notes and bonds, as traded on the open market, which are not subject to optional call or redemption, and (d) zero coupon United States Treasury Bonds.

"DTC" means The Depository Trust Company and any successor to it or any nominee of it.

"DTC Participant" has the meaning given to that term in the Indenture.

"DTC System" has the meaning given to that term in the Indenture.

"Event of Default" means any of the events described in the Indenture.

"Executive Director" means the Executive Director of the Agency, or other duly appointed officer of the Agency authorized by the Agency by resolution or by-law to perform the functions of the Executive Director in the event of the Executive Director's absence or disqualification.

"Federal Securities" means the following securities: (1) United States Treasury Bills, bonds, and notes for which the full faith and credit of the United States are pledged for payment of principal and interest; (2) direct senior obligations issued by the following agencies of the United States Government: the Federal Farm Credit Bank System, the Federal Home Loan Bank System, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Tennessee Valley Authority; (3) mortgage backed securities (except stripped mortgage securities) issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association; and (4) United States Treasury Obligations, State and Local Government Series.

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

"Fitch" means Fitch Ratings and its successors, and if such company shall for any reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any nationally recognized securities rating agency designated by the Agency and the City.

"Indenture" means the Indenture of Trust by and between the Agency and the Trustee, as originally entered into or as it may be amended or supplemented by any Supplemental Indenture entered into pursuant to the provisions of the Indenture.

"Independent Certified Public Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State of California, appointed by the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency; 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 Financial Consultant" means any financial consultant or firm of such consultants appointed by the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency, other than as original purchaser of the Bonds or any Parity 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.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's Investors Service "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; Standard & Poor's Corporation "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to the redemption of bonds as the Agency may designate in a Written Request of the Agency delivered to the Trustee.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Interest Payment Date" means May 1 and November 1 in each year so long as any of the Bonds remain Outstanding hereunder.

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

"Maximum Annual Debt Service" means, as of the date of any calculation, the largest Annual Debt Service during the current or any future Bond Year.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency and the City.

"Net Proceeds" means the par amount of the Bonds plus accrued interest and original issue premium, if any, less the amount of any original issue discount and less any amount of proceeds of the Bonds deposited in the Reserve Account.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to the Indenture.

"Original Purchaser" means, collectively, E.J. De La Rosa & Co., Inc. and Sutter Securities Incorporated, as the original purchasers of the 2009A Bonds from the Public Financing Authority of the City of San Diego and in connection with the issuance of any Parity Bonds the original purchaser thereof.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture or any Supplemental Indenture.

"Owner" or "Bond Owner" means any person who shall be the person in whose name the ownership of any Outstanding Bond shall be registered on the Registration Books.

"Participant" means a broker-dealer, bank or other financial institution for which DTC holds Bonds as Securities Depository.

"Parity Bonds" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency and secured by a pledge of and lien on Tax Revenues on a parity with the 2009A Bonds pursuant to the Indenture.

"Permitted Investments" means any of the following to the extent then permitted by law and the investment provisions of the Indenture:

(1) Federal Securities;

(2) Obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided, that at the time of their purchase such obligations are rated "AAA" by two Rating Agencies;

(3) Bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by each Rating Agency in their respective highest short-term rating categories, or, if the term of such indebtedness is longer than three years, rated "AAA" by two Rating Agencies;

(4) Taxable commercial paper or tax-exempt commercial paper with a maturity of not more than 270 days, rated at the time of purchase "A1/P1/F1" by two Rating Agencies;

(5) Deposit accounts or certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Trustee and its affiliates) or a state or federal savings and loan association or a state-licensed branch of a foreign bank; provided, however, that such certificates of deposit or deposit accounts shall be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation; or (b) have maturities of not more than 365 days (including certificates of deposit) and

are issued by any state or national bank or a state or federal savings and loan association, the short-term obligations of which are rated in the highest short term letter and numerical rating category by two Rating Agencies;

(6) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which bank has short-term obligations outstanding which are rated by two Rating Agencies in their respective highest short-term rating categories, and which bankers acceptances mature not later than 180 days from the date of purchase;

(7) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee), or a state-licensed branch of a foreign bank, having a minimum permanent capital of one hundred million dollars ($100,000,000) and with short-term debt rated by two Rating Agencies in their respective three highest short-term rating categories or any government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clause (1) of this definition, which shall have a market value (valued at least weekly) not less than 102% of the principal amount of such investment and shall be lodged with the Trustee, the Treasurer or other fiduciary, as 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 of California 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 of California;

(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);

(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; and

(16) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which consists exclusively of investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, (c) the period of time for establishing or incurring indebtedness payable from Tax Revenues and (d) the period of time for receiving Tax Revenues for any purpose, all as established pursuant to Section 33333.2 of the Law.

"Principal Payment Date" means November 1 in each year on which any principal on the Bonds is due and payable at maturity or from Sinking Account payments.

"Project Area" means the project area described in the Redevelopment Plan.

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

"Rating Agencies" means any of the following: Fitch, Moody's and S&P.

"Rebate Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Rebate Calculation Period" means the twelve-month period beginning on the Closing Date or on any anniversary of the Closing Date and extending to but not including the next succeeding anniversary of the Closing Date.

"Record Date" means the fifteenth (15th) calendar day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) calendar day is a Business Day.

"Redemption Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Redevelopment Fund" means the fund by that name established and held by the Agency pursuant to the Indenture.

"Redevelopment Plan" means the Redevelopment Plan for the North Park Redevelopment Project, approved by Ordinance No. O-18386 enacted by the City Council of the City of San Diego on March 4, 1997, together with any amendments duly authorized pursuant to the Law.

"Redevelopment Project" means the project area described in the Redevelopment Plan.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"Report" means a document in writing signed by an Independent Financial Consultant and including: (a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates; (b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and (c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

"Reserve Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Reserve Requirement" means, as of the date of any calculation by the Agency, the lesser of (a) Maximum Annual Debt Service, (b) 125% of average Annual Debt Service on the Bonds, or (c) 10% of the original principal amount of the Bonds (less original issue discount if in excess of two percent (2%) of the stated redemption amount at maturity); provided however that the Reserve Requirement shall be computed without regard for the portions of Bonds which remain as deposits in escrow funds not secured by the Tax Revenues.

"San Diego County Auditor-Controller" means the person who holds the office designated San Diego County Auditor-Controller from time to time, or one of the duly appointed deputies of such person, or any person or persons performing substantially the same duties in the event said office is ever abolished or changed.

"Securities Depository" means initially, The Depository Trust Company, New York, New York, and its successors and assigns and any replacement securities depository appointed under the Indenture.

"Senior Bond Indenture" means the Trust Indenture dated as of October 1, 2000, as supplemented pursuant to the First Supplement to Indenture of Trust, dated as of December 1, 2003, each by and between the Agency and Wells Fargo Bank, National Association as successor-trustee, and as such Trust Indenture may be further amended or supplemented from time to time in accordance with its terms.

"Senior Bonds" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency and secured by a pledge of and lien on Pledged Tax Revenues (as defined in the Senior Bond Indenture) on a parity with the 2000 Bonds and the 2003 Bonds pursuant to the Senior Bond Indenture and in accordance with Section 3.07 hereof.

"Serial Bonds" means all Bonds other than the Term Bonds.

"Sinking Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Special Fund" means the fund established and held by the Trustee pursuant to the Indenture.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency and the City.

"Subordinate Debt" means any loans, advances, contracts or indebtedness issued or incurred by the Agency in accordance with the requirements of the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues thereunder for the security of the Bonds.

"Supplemental Indenture" means any resolution, agreement or other instrument then in full force and effect which has been duly adopted or entered into by the Agency; but only if and to the extent that such Supplemental Indenture is specifically authorized by the Indenture.

"Tax Certificate" means the Tax Certificate of the Agency executed and delivered on the Closing Date to establish certain facts and expectations with respect to the Bonds being issued on the respective Closing Date.

"Tax Code" means, with respect to a series of Bonds, the Internal Revenue Code of 1986, as in effect on the date of issuance of such Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of such Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code (including the Tax Regulations).

"Tax Regulations" means temporary and permanent regulations promulgated under Section 103 and all related provisions of the Tax Code.

"Tax Revenues" means all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State of California and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations; but excluding (i) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Section 33334.2 or 33334.6 of the Law, (ii) all amounts of such taxes required to be paid to taxing entities under Sections 33607.5 and 33607.7 of the Redevelopment Law to the extent such required payments create a prior lien on such taxes, (iii) amounts, if any, payable by the State of California to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State of California, (iv) amounts retained by the County as costs of collection pursuant to Chapter 466, Statutes of 1990, and (v) such taxes in any "Bond Year" (as defined in the Senior Bond Indenture) to the extent subject to the prior senior pledge under the Senior Bond Indenture with respect to the Senior Bonds.

"Term Bonds" means the 2009A Bonds maturing on November 1, 20__, and with respect to any Parity Bonds means such Parity Bonds which are payable on or before their specified Principal Payment Dates from sinking account payments established for that purpose and calculated to retire such Parity Bonds on or before their respective Principal Payment Dates.

"Treasurer" means the Office of the City Treasurer of the City of San Diego.

"Trustee" means Wells Fargo Bank, National Association as trustee under the Indenture, or any successor thereto appointed as trustee thereunder in accordance with the provisions of the Indenture.

"Trust Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Agency, initially being 707 Wilshire Boulevard, 17th Floor, Los Angeles, California 90017 except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"2000 Bonds" means the Redevelopment Agency of the City of San Diego North Park Redevelopment Project Tax Allocation Bonds, Series 2000 authorized pursuant to the Senior Bond Indenture.

"2003 Bonds" means the Redevelopment Agency of the City of San Diego North Park Redevelopment Project 2003 Tax Allocation Bonds, Series A (Taxable) and Series B (Tax-Exempt) authorized pursuant to the Senior Bond Indenture.

"2009A Bonds" means the $__________ North Park Redevelopment Project Subordinate Tax Allocation Bonds, Series 2009A.

"Written Request of the Agency" or "Written Certificate of the Agency" means a request or certificate, in writing signed by the Executive Director, Redevelopment Director, Treasurer or Secretary of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose.

THE 2009A BONDS

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed or purchased pursuant to the Indenture shall be canceled and shall be surrendered to the Agency.

Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Agency shall execute and the Trustee shall deliver a new Bond or Bonds, for like Principal Payment Date, interest rate and aggregate principal amount. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds pursuant to the Indenture. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Agency.

The Trustee may refuse to transfer any Bonds under the provisions of the Indenture during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or as to Bonds the notice of redemption of which has been mailed pursuant to the provisions of the Indenture.

Exchange of Bonds. Bonds may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series, Principal Payment Date and interest rate. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds pursuant to the Indenture. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Agency.

The Trustee may refuse to exchange any Bonds under the provisions of the Indenture during the fifteen-day period prior to the date established by the Trustee for the selection of Bonds or as to which notice of redemption has been mailed pursuant to the provisions of the Indenture.

Registration Books. The Trustee will keep or cause to be kept, at its Trust Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours and upon at least forty-eight (48) hours' notice be open to inspection by the Agency; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, Bonds as provided in the Indenture.

FUNDS AND ACCOUNTS

Reserve Account. There will be a separate account to be known as the "Reserve Account," which shall be held by the Trustee in trust. An amount equal to the Reserve Requirement shall be maintained in the Reserve Account at all times, and any deficiency therein shall be replenished from the first available moneys in the Special Fund pursuant to the Indenture. The amount required to be maintained in the Reserve Account may be increased by any Supplemental Indenture authorizing the issuance of any Parity Bonds pursuant to the Indenture. Any amounts on deposit in the Reserve Account at any time in excess of the Reserve Requirement shall be withdrawn from the Reserve Account by the Trustee and transferred to the Special Fund.

The Agency shall have the right at any time to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (1) a Qualified Reserve Account Credit Instrument, and (2) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Bonds to become includable in the gross income of the Owners for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account, at the request of the Agency, either (i) to the Redevelopment Fund to be held by the Agency for disbursement as set forth in the Indenture, or (ii) to the Agency for deposit into such fund or funds as the Agency shall have established for the financing of the Redevelopment Project. Notice of the deposit of a Qualified Reserve Account Credit Instrument shall be given by the Agency to the Rating Agencies. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture. Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall be obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, (ii) to deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues, or (iii) to draw upon the Qualified Reserve Account Credit Instrument an amount of funds equal to the stated amount thereof prior to its expiration.

The Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of the Bonds in conformity with applicable provisions of the Tax Code.

<u>Costs of Issuance Fund</u>. There will be a separate fund to be known as the "Costs of Issuance Fund," which shall be held by the Trustee in trust. The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date ninety (90) days following the Closing Date, or upon the earlier Request of the Agency, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Agency for deposit by the Agency in the Redevelopment Fund.

<u>Redevelopment Fund</u>. There will be a separate account to be held by the Agency, to be known as the "Redevelopment Fund." Amounts on deposit in the Redevelopment Fund shall be derived solely from the proceeds of the 2009A Bonds deposited therein pursuant to the Indenture and from earnings on the investment and reinvestment of such proceeds, and from the proceeds of Parity Bonds as may be directed in a Supplemental Indenture. The moneys in the Redevelopment Fund shall be used solely in the manner provided by the Law and the Redevelopment Plan to provide financing for the Redevelopment Project, subject to the limitations set forth herein. Upon the completion by the Agency of the purposes for which moneys the Redevelopment Fund are intended to be applied, the Agency shall transfer any remaining amounts to the Special Fund to be applied to the payment of interest on the Bonds.

PARITY BONDS AND OTHER DEBT

<u>Issuance of Parity Bonds</u>. In addition to the 2009A Bonds, the Agency may, by Supplemental Indenture, from time to time issue or incur other loans, advances or indebtedness payable from Tax Revenues and amounts in the Reserve Account on a parity with the 2009A Bonds in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Bonds subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Bonds issued under the Indenture:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture.

(b) The Tax Revenues to be received by the Agency in each Fiscal Year during the term of the Parity Bonds, based on the then current year Tax Revenues, assuming no growth in assessed value, and accounting for fluctuations in Debt Service on the Senior Bonds in each Fiscal Year, plus at the option of the Agency the Additional Allowance, as set forth in a Written Certificate of the Agency filed with the Trustee, shall be equal to one hundred twenty-five percent (125%) of Annual Debt Service on all Bonds and Parity Bonds (exclusive of debt service due on the proceeds of any Parity Bonds deposited in an escrow fund pursuant to the terms of a Supplemental Indenture which are not secured by Tax Revenues) in each Fiscal Year through maturity of the Bonds which will be Outstanding following the issuance of such Parity Bonds. For purposes of this paragraph, the computation of Tax Revenues shall include all taxes used by the Agency to pay debt service on the Senior Bonds which the Agency certifies in writing is legally payable from moneys deposited into the Low and Moderate Income Housing Fund of the Agency.

(c) The Supplemental Indenture providing for the issuance of such Parity Bonds under the Indenture shall provide that:

(i) Interest on said Parity Bonds shall be payable on May 1 and November 1 in each year in which interest is payable on such Parity Bonds except the first twelve-month period, during which interest may be payable on any May 1 or November 1, and provided that there shall be no requirement that such Parity Bonds pay interest on a current basis;

(ii) The principal of such Parity Bonds shall be payable on November 1 in any year in which principal is payable; and

(iii) Money shall be deposited in the Reserve Account from the proceeds of the sale of said Parity Bonds, or from other sources available to the Agency, to increase the amount on deposit in the Reserve Account to an amount equal to the Reserve Requirement; provided, however, that the Agency shall not be required to deposit moneys to the Reserve Account in an amount in excess of the applicable Tax Code limit with respect to the issuance of such series of Parity Bonds.

Issuance of Senior Bonds. The Agency covenants not to issue any additional Senior Bonds except for the purposes of refunding, in whole or in part, the 2000 Bonds or the 2003 Bonds, or any refunding of all or any portion thereof, and only so long as such refunding results in debt service savings for the refunded Senior Bonds in each fiscal year, and the maturity of the Refunding Bonds is not later than the maturity of the Senior Bonds to be refunded, as evidenced by a Certificate of the Agency.

Issuance of Subordinate Debt. In addition to the Bonds and any Parity Bonds, from time to time the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency, provided that the issuance of such Subordinate Debt shall not cause the Agency to exceed any applicable Plan Limitation

PLEDGE OF TAX REVENUES; SPECIAL FUND AND ACCOUNTS

Pledge of Tax Revenues. The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent hereinafter provided) of all of the Tax

Revenues (subject only to the prior lien on Pledged Tax Revenues (as defined in the Senior Bond Indenture) of the Senior Bonds (and any related obligations pursuant to the Senior Bond Indenture) and a pledge of all of the moneys in the Special Fund, the Interest Account, the Principal Account, the Sinking Account, the Redemption Account and the Reserve Account, including all amounts derived from the investment of such moneys. The Tax Revenues are allocated in their entirety to the payment of the principal of and interest on the Bonds as provided in the Indenture. Amounts in the Costs of Issuance Fund and the Redevelopment Fund are not pledged as security for the Bonds.

Special Fund; Deposit of Tax Revenues. There will be a special fund to be known as the "Special Fund," which shall be held by the Trustee in trust. The Agency shall pay or cause to be paid to the Trustee all of the Tax Revenues received in any Bond Year, and the Trustee shall deposit all of the Tax Revenues in the Special Fund promptly upon receipt thereof, subject to the Indenture; provided, however, that the Agency shall not be obligated to deposit or cause to be deposited in the Special Fund in any Bond Year an amount of Tax Revenues which, together with amounts in the Special Fund, exceeds the amounts required to be deposited in the funds and accounts specified in the Special Fund provisions of the Indenture in such Bond Year. All Tax Revenues at any time paid into the Special Fund shall be held by the Trustee solely for the uses and purposes set forth in the Indenture. So long as any of the Bonds are Outstanding, the Agency shall not have any beneficial right or interest in the Tax Revenues, except only as provided in the Indenture, and such moneys shall be used and applied as set forth in the Indenture.

Establishment and Maintenance of Accounts for Revenues; Use and Withdrawal of Revenues. Moneys in the Special Fund shall be withdrawn therefrom by the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts (which, to the extent not established in the Indenture, are thereby established with the Trustee to be held in trust) in the following order of priority:

(a) Interest Account. On or before the Business Day preceding each Interest Payment Date, the Trustee shall withdraw from the Special Fund and deposit in the Interest Account an amount which, when added to the amount then contained in the Interest Account, will be equal to the aggregateamount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee for the sole purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture); provided, however, that the Trustee shall apply proceeds of the 2009A Bonds deposited into the Interest Account for the payment of interest due on the 2009A Bonds according to the schedule set forth in the Indenture.

(b) Principal Account. On or before the Business Day preceding each Principal Payment Date, the Trustee shall withdraw from the Special Fund and deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the aggregate amount of principal becoming due and payable on the Outstanding Serial Bonds on such Principal Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal on the Serial Bonds as it shall become due and payable.

(c) Sinking Account. On or before the Business Day preceding each November 1 on which any Outstanding Bonds are subject to mandatory Sinking Account redemption, the Trustee shall withdraw from the Special Fund and deposit in the Sinking Account an amount which, when added to the amount then contained in the

Sinking Account, will be equal to the aggregateprincipal amount of the Term Bonds required to be redeemed on the next succeeding November 1 pursuant to the Indenture. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of redeeming or purchasing (in lieu of redemption) Term Bonds pursuant to the Indenture.

(d) Reserve Account. On or before each Interest Payment Date, the Trustee shall withdraw from the Special Fund and deposit in the Reserve Account an amount of money (if any) which shall be required to maintain in the Reserve Account the full amount of the Reserve Requirement. All moneys in the Reserve Account shall be used and withdrawn by the Trustee for the sole purpose of making transfers to the Interest Account, the Principal Account and the Sinking Account, in such order, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding or to the Redemption Account in the event an optional or mandatory sinking fund redemption would cause a reduction in the Reserve Requirement.

(e) Redemption Account. On or before any date on which Bonds are to be redeemed pursuant to the Indenture, the Trustee shall withdraw from the Special Fund and deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date pursuant to the Indenture. All moneys in the Redemption Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant to the Indenture on the date set for such redemption.

(f) Surplus. The Agency shall not be obligated to deposit or cause to be deposited in the Special Fund in any Bond Year an amount of Tax Revenues which, together other available amounts in the Special Fund, exceeds the amounts required to be deposited into the Interest Account, the Principal Account, the Sinking Account, the Redemption Account and the Reserve Account in such Bond Year pursuant to the Indenture. Once such amount of Tax Revenues has been deposited in the Special Fund in any Bond Year, the remaining Tax Revenues received in such Bond Year shall be declared surplus and shall be retained by or transferred to the Agency to be used for any lawful purpose under the Law.

Establishment of Sub-Accounts For Separate Series of Bonds. If directed in writing by the Agency, the Trustee shall establish and maintain a separate sub-account within each of the Interest Account, the Principal Account, the Sinking Account and the Reserve Account, for each separate series of Parity Bonds. In such event, proceeds of sale of any series of Parity Bonds, and amounts required to be held for the payment or security of any series of Parity Bonds, shall be held solely in the respective sub-accounts established for such series of Parity Bonds and shall not be commingled with amounts held in the respective sub-accounts established for any other series of Bonds. For all purposes of the Indenture the sub-accounts established within any account shall be accounted for as a part of such account.

Rebate Account.

(a) Establishment. The Trustee shall establish a separate account designated the "Rebate Account." Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Agency shall cause to be deposited in the Rebate Account such amounts as are required to be deposited therein pursuant to the Indenture and the Tax Certificate. All money at any time deposited in the Rebate Account shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Account shall be governed by the Indenture and the Tax Certificate for the Bonds, unless and to the extent that the Agency delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied.

(i) Annual Computation. Within 55 days of the end of each fifth Bond Year for each series of Bonds, the Agency shall calculate or cause to be calculated the amount of rebatable arbitrage for each series of Bonds, in accordance with Section 148(f)(2) of the Tax Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditure exceptions of Section 148(f)(4)(C) of the Tax Code or Section 1.148-7(d) of the Treasury Regulations), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Tax Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The Agency shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of the fifth Bond Year for a series of Bonds, upon the written Request of the Agency, an amount shall be deposited to the Rebate Account by the Trustee from any funds of the Agency legally available for such purpose (as specified by the Agency in the aforesaid written Request), if and to the extent required so that the balance in the Rebate Account shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this Subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Account exceeds the amount required to be on deposit therein, upon written Request of the Agency, the Trustee shall withdraw the excess from the Rebate Account and then credit the excess to the Special Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Request of the Agency, to the United States Treasury, out of amounts in the Rebate Account,

(A) not later than 60 days after the end of (X) the fifth Bond Year for a series of Bonds, and (Y) each applicable fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) not later than 60 days after the payment of all the Bonds of a series, an amount equal to 100% of the Rebatable Arbitrage calculated as of the date of such payment and any income attributable to the Rebatable Arbitrage determined to be due and payable, computed in accordance with Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the Agency shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Tax Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Account after redemption and payment in full of the Bonds and the payments described in Subsection (a)(3) above being made may be withdrawn by the Agency and utilized in any manner by the Agency.

(c) Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the rebate requirements of the Indenture shall survive the defeasance or payment in full of the Bonds.

(d) Recordkeeping. The Agency shall retain records of all determinations made hereunder until six years after the complete retirement of the Bonds.

OTHER COVENANTS OF THE AGENCY

Punctual Payment. The Agency shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds together with the premium thereon, if any, in strict conformity with the terms of the Bonds and of the Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds. Nothing therein contained shall prevent the Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to therein.

Limitation on Superior Debt; Compliance with Plan Limitations. So long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is 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 Indenture for the security of the Bonds, excepting only Parity Bonds and Senior Bonds issued in accordance with the Indenture. The Agency shall take no action, including but not limited to the issuance of its bonds, notes or other obligations, which causes or which, with the passage of time would cause, any of the Plan Limitations to be exceeded or violated. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the Bonds when due.

Extension of Bonds. The Agency shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to approve any such arrangement by purchasing or funding the Bonds or claims for interest or in any other manner. In case the Principal Payment Date of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Management and Operations of Properties. The Agency shall manage and operate all properties owned by the Agency and comprising any part of the Project Area in a sound and businesslike manner.

Payment of Claims. The Agency shall 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 properties owned by the Agency or 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. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims, so long as such contest shall not cause interest on the Bonds to become includable in gross income for federal tax purposes.

Books and Accounts; Financial Statements. The Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City of San Diego, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Redevelopment Fund and to the Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

Protection of Security and Rights of Bond Owners. The Agency shall preserve and protect the security of the Bonds and the rights of the Bond Owners. From and after the execution and delivery of any of the Bonds by the Agency, the Bonds shall be incontestable by the Agency.

In the Indenture, the Agency hereby confirms, covenants, represents and warrants that (1) the Agency has reserved sufficient funds to pay the ERAF payment for Fiscal Year 2008-09 (the "2009 ERAF Payment") described in California Health and Safety Code Section 33685 (the "ERAF Statute") , (2) pursuant to Agency Resolution No. 04394 with date of final passage of May 4, 2009 (the "Agency ERAF Resolution"), the Agency has budgeted, appropriated and encumbered funds for such purpose, (3) the Agency will pay the 2009 ERAF Payment to the County Auditor in accordance with the ERAF Statute in full and at such time as the Agency is required to do so under applicable law, including as a result of the reversal, modification, or setting aside of the existing judgment dated May 7, 2009 (the "Judgment") of the Superior Court of the State of California for Sacramento County in the case entitled California Redevelopment Association v. Genest et al., Case No. 34-2008-00028334-CU-WM-GDSD, such that payment of the 2009 ERAF Payment becomes due and payable, and (4) the Agency will take no action until such time as the Judgment is final and nonappealable to cause itself to not have lawfully available funds with which to make the 2009 ERAF Payment promptly as it becomes due and payable, if ever.

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

Taxation of Leased Property. All amounts derived by the Agency pursuant to Section 33673 of the Law with respect to the lease of property for redevelopment shall be treated as Tax Revenues for all purposes of the Indenture, and shall be deposited with the Trustee for deposit in the Special Fund.

Disposition of Property. The Agency shall not authorize the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in the Project Area unless such disposition is permitted as hereinafter provided in the Indenture. If the Agency proposes to make such a disposition, it shall thereupon appoint an Independent Financial Consultant to report on the effect of said proposed disposition. If the

Report of the Independent Financial Consultant concludes that the estimated Tax Revenues to be received following said proposed disposition in the current and each future fiscal year while Bonds are Outstanding is greater than or equal to 125% of Annual Debt Service in each future fiscal year, the Agency may thereafter make such disposition.

Tax Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of San Diego County and (in the case of supplemental revenues and other amounts payable by the State of California) appropriate officials of the State of California. The Agency shall not enter into any agreement with the County of San Diego or any other governmental unit which would have the effect of reducing the amount of Tax Revenues available to the Agency for payment of the Bonds, unless in the written opinion of an Independent Financial Consultant filed with the Trustee such reduction will not reduce Tax Revenues estimated to be received in the current and each future fiscal year while Bonds are Outstanding to be less than 125% of Annual Debt Service in such fiscal year.

Eminent Domain. The net proceeds received by the Agency from any taking of property in the Project Area in any eminent domain proceeding shall be treated as Tax Revenues for purposes of the Indenture; provided that the net proceeds received by the Agency from the taking of any property in the Project Area the redevelopment of which was financed by the Agency through the issuance of lease revenue bonds or other lease revenue or installment sale obligations shall be deposited, used and applied in the manner provided by the resolution authorizing the issuance of such lease revenue bonds or other lease revenue or installment sale obligations.

Tax Covenants Relating to 2009A Bonds. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest with respect to the 2009A Bonds will not be adversely affected for federal income tax purposes, the Agency covenants to comply with all applicable requirements of the Tax Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Agency will take no action or refrain from taking any action or make any use of the proceeds of the 2009A Bonds or of any other monies or property which would cause the 2009A Bonds to be "private activity bonds" within the meaning of Section 141 of the Tax Code;

(b) Private Loan Limitation. The Agency shall assure that no more than five percent (5%) of the net proceeds of the 2009A Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting non-purpose obligations as defined in the Tax Code or constituting assessments) to persons other than state or local government units;

(c) Arbitrage. The Agency will make no use of the proceeds of the 2009A Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2009A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code;

(d) Federal Guaranty. The Agency will make no use of the proceeds of the 2009A Bonds or take or omit to take any action that would cause the 2009A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code;

(e) Information Reporting. The Agency will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Tax Code;

(f) Hedge Bonds. The Agency will make no use of the proceeds of the 2009A Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2009A Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the Agency takes all necessary action to assure compliance with the requirements of Section 149(g) of the Tax Code to maintain the exclusion from gross income of interest on the 2009A Bonds for federal income tax purposes; and

(g) Miscellaneous. The Agency will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Agency in connection with each issuance of any 2009A Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

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

Continuing Disclosure Agreement. The Agency covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement (if any) to be executed and delivered by the Agency in connection with the issuance of the Bonds. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any Owner or Beneficial Owner 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 the Indenture. For purposes of this section of the Indenture, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

THE TRUSTEE

Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall only be obligated to perform such duties as are expressly set forth in the Indenture, and no duties or obligations not expressly set forth in the Indenture shall be implied. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Agency to the Trustee, whereupon the Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving the Bond Owners notice of such resignation by mail at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted such appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture, shall signify its acceptance of such appointment by executing and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Agency shall mail a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then has a current rating on the Bonds and to the Bond Owners at their respective addresses shown on the Registration Books. If the Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Agency.

(e) Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall be a trust company, corporation or bank having the powers of a trust company having a trust office in the State of California, having a combined capital and surplus of at least Fifty Million Dollars ($50,000,000), and subject to supervision or examination by federal or state authority. If such bank, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, corporation or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

(f) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(g) Before taking any action under the Indenture at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

(h) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder.

Liability of Trustee.

(a) The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct or breach. The Trustee may become the Owner of Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture unless and until it shall have actual knowledge thereof, or shall have received written notice thereof, at its Trust Office. Except as otherwise expressly provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements therein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, Bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Agency, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Written Certificate of the Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

Compensation and Indemnification. The Agency shall pay to the Trustee from time to time all compensation for all services rendered under the Indenture in accordance with the letter proposal from the Trustee approved by the Agency, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Indenture.

The Agency further covenants and agrees to indemnify and save the Trustee harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs and expenses of defending against any claim of liability and the costs of enforcing any remedies thereunder or under any related document, but excluding any and all losses, expenses and liabilities which are due to the Trustee's negligence, willful misconduct or willful default. The obligations of the Agency under this paragraph shall survive resignation or removal of the Trustee under the Indenture and payment of the Bonds and discharge of the Indenture.

Deposit and Investment of Moneys in Funds. Moneys in the Special Fund, Interest Account, the Principal Account, the Sinking Account, the Reserve Account, the Rebate Fund, the Redemption Account and the Costs of Issuance Fund shall be invested by the Treasurer or the Trustee in Permitted Investments as specified in the Written Request of the Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such Written Request of the Agency, the Trustee shall invest any such moneys in obligations described in clause (8) of the definition of Permitted Investments set forth in the Indenture. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. Any or all interest or gain derived from the investment of amounts in any of the funds or accounts established thereunder shall be deposited by the Trustee in the respective fund or account and any loss incurred in connection with such investments shall be debited against the fund or account from which the investment was made. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it thereunder. The Trustee may act as principal or agent in the acquisition of any investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

The Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Agency periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

The Agency has covenanted and agreed in the Indenture to invest all amounts in the Redevelopment Fund in Permitted Investments.

MODIFICATION OR AMENDMENT OF THE INDENTURE

Amendment With Consent Of Owners. The Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption without necessity of the consent of any Owners, to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Agency contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Agency, or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners;

(c) to provide for the delivery of a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture;

(d) to provide for the issuance of Parity Bonds pursuant to the Indenture, and to provide the terms and conditions under which such Parity Bonds may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of the Indenture and to provide for Parity Bonds which bear interest that is compounded semiannually on each May 1 and November 1 to maturity as specified in an accreted value table set forth in a Supplemental Indenture; or

(e) to amend any provision relating to the requirements of or compliance with the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, in the opinion of Bond Counsel.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are delivered to the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premium (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee. Promptly after the execution by the Agency and the Trustee of any Supplemental Indenture pursuant to this subsection, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Amendment by Mutual Consent. The provisions of the Indenture shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default under the Indenture:

(a) Default by the Agency in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the Agency in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Agency in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Agency by the Trustee or by the Owners of not less than 25 percent in aggregate principal amount of Bonds Outstanding; provided, however, that if in the reasonable opinion of the Agency the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by the Agency within such sixty (60) day period and diligently pursued in good faith until the default is corrected such failure shall not become an Event of Default.

(d) The Agency shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Agency, as applicable, seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Agency, as applicable, or of the whole or any substantial part of its property.

Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall, upon notice in writing to the Agency, upon being indemnified to its satisfaction exercise any remedies available to the Trustee or the Owners in law or at equity.

The exercise of any such remedy is subject to the condition that if the Agency shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall, on behalf of the Owners of all of the Bonds, waive such Event of Default; but no such waiver shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, any funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of interest on the Bonds in default, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds or the Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregateprincipal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds or the Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture or any other applicable law with respect to such Bonds, unless (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; and (f) such suit, action or proceeding is instituted subject to the Indenture.

Such notification, request, tender of indemnity and refusal or omission are declared in the Indenture, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy thereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture or other applicable law with respect to the Bonds, except in the manner therein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Agency. Nothing in the above provision of the Indenture in any other provision of the Indenture or in the Bonds contained shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as therein provided, but only out of the Tax Revenues and other assets therein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the Agency, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Agency, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given thereunder or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

MISCELLANEOUS

Defeasance of Bonds. If the Agency shall pay and discharge the indebtedness on any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee or another fiduciary, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, in the opinion or report of an Independent Certified Public Accountant or Bond Counsel is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;

(c) by irrevocably depositing with the Trustee or another fiduciary, in trust, non-callable Defeasance Securities in such amount as an Independent Certified Public Accountant or Bond Counsel shall determine will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established pursuant to the Indenture (except for the Rebate Account and the Redevelopment Fund), be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or

(d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the election of the Agency, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Agency under the Indenture with respect to such Bonds shall cease and terminate, except only (a) the obligations of the Agency with respect to compliance with applicable provisions of the Tax Code, (b) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (c) the obligation of the Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and (d) the obligations of the Agency to compensate and indemnify the Trustee pursuant to the Indenture. Notice of such election shall be filed with the Trustee.

Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the Agency.

Waiver of Personal Liability. No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing contained in the Indenture shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the Agency or the City (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded.

Unclaimed Moneys. Anything contained in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall at the Written Request of the Agency be repaid by the Trustee to the Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Agency for the payment of the interest and premium (if any) on and principal of such Bonds.

Payments on Other than a Business Day. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, shall not be a Business Day, such payment, with no interest accruing for the period from and after the nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided herewithin.

APPENDIX B

CERTAIN INFORMATION REGARDING THE CITY OF SAN DIEGO AND THE SURROUNDING AREA

The following information is presented for general informational purposes only. The City has no obligation whatsoever with respect to the Bonds or the Indenture, and the Bonds are not payable from any funds of the City, including amounts in the City's General Fund. The Bonds are payable solely from the Tax Revenues and amounts in certain accounts held by the Trustee and pledged for such purpose under the Indenture. See "SECURITY FOR THE BONDS" in the text of this Official Statement.

Introduction

The City of San Diego (the "City"), with a total population of approximately 1.3 million in 2008 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 of San Diego (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 serves, software and telecommunications.

Recent Events Regarding the City

The following provides a summary of certain matters regarding the City's financial statements and certain investigations which may be ongoing relating to the City. Note, however, that the Bonds are not payable from any funds of the City, including amounts in the City's General Fund, and Tax Revenues are not expected to be directly impacted by the financial condition of the City. See "SECURITY FOR THE BONDS." To the best knowledge of the Agency, the investigations relating to the City's financial statements and disclosure practices do not involve matters directly related to the security for, or the payment of, the Bonds.

Investigations Regarding Misleading Disclosures

On November 14, 2006, the City entered into a cease-and-desist order (the "Order") with the SEC 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 SEC 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. 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 City established in 2004 its Disclosure Practices Working Group ("DPWG"), a collaborative, consensus-based group formed to address the City's disclosure requirements. The purpose of DPWG is to ensure the compliance by the City (including the City Council, City officers, and staff) with Federal and State securities laws and to promote the highest standards of accuracy in disclosures provided by the City relating to securities issued by the City or by its related entities. DPWG consists of five voting members (the Chief Operating Officer, the Chief Financial Officer, the City Director of Debt Management, the City Attorney and the Deputy City Attorney for Finance and Disclosure) and two nonvoting members (the City's outside

Disclosure Counsel and the City Auditor). The City's Independent Budget Analyst or, from time to time, that official's designee, is an ex officio participant of DPWG. The Independent Budget Analyst is appointed by majority vote of the City Council.

The City has advised the Agency that the City understands that other investigations by the SEC or other government agencies may still be ongoing as to entities or individuals other than the City. On December 11,2007, the Commission filed a settled civil fraud action against the City's Independent Auditor, Thomas J. Saiz and his firm Calderon, Jaham & Osborn, in connection with the City's false and misleading financial statements in five bond offerings in calendar years 2002 and 2003. On April 7, 2008, the SEC filed securities fraud charges against five former City officials, including the former City Manager, former Auditor and Comptroller, former Assistant Auditor and Comptroller, former Deputy City Manager and former City Treasurer for allegedly giving false and misleading statements regarding City bond offerings in calendar years 2002 and 2003. On December 19,2008, however, the SEC notified four former members of the City Council, the former Mayor and a current City Councilmember that it had concluded its investigation into their involvement in the five bond offerings in years 2002 and 2003 and did not intend to recommend charges against them.

Audited Financial Reports

As a result of the investigations into the City, the completion and release of the City's audited financial statements were substantially delayed. The City issued its CAFRs for Fiscal Years 2003 through 2007 during the period from June 2007 through December 2008 and released the Fiscal Year 2008 CAFR on March 26, 2009.

City Ratings

A further consequence of the City's voluntary disclosures and the ensuing investigations was a series of actions taken by the rating agencies. Beginning in 2004, Moody's Investors Service, Inc. ("Moody's"), and Fitch Ratings ("Fitch") began to downgrade the credit ratings on the City's obligations and changed the outlook on those ratings to negative. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), placed the City's credit rating on negative outlook and subsequently suspended its credit ratings on all City obligations. The City's credit ratings were reinstated in May 2008 in connection with the release of its CAFRs for Fiscal Years 2003 through 2006. The City currently maintains ratings on its bonds and other City debt obligations from all three rating agencies.

Population

The following Table B-1 sets forth annual population figures for the City, the County and the State for calendar years 1999 through 2008.

Table B-1
Population Growth
Calendar Years 1999 through 2008

Calendar Year(1)	City of San Diego	Annual Growth Rate	County of San Diego	Annual Growth Rate	State of California	Annual Growth Rate
1999	1,254,281	2.35%	2,776,342	1.86%	33,418,578	1.69%
2000	1,277,168	1.79	2,836,506	2.17	34,095,209	2.02
2001	1,250,700	-2.12	2,894,353	2.04	34,766,730	1.97
2002	1,255,742	0.40	2,952,127	2.00	35,361,187	1.71
2003	1,275,112	1.52	2,998,592	1.57	35,944,213	1.65
2004	1,294,000	1.46	3,024,492	0.86	36,454,471	1.42
2005	1,306,000	0.92	3,051,764	0.90	36,899,392	1.22
2006	1,311,162	0.39	3,076,068	0.80	37,298,417	1.08
2007	1,316,837	0.43	3,114,843	1.26	37,712,588	1.11
2008	1,336,865	1.50	3,161,477	1.50	38,148,493	1.16

(1) As of July 1 of the calendar year.
Source: City of San Diego data: Fiscal Year 2008 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 2004 through 2008, and for March 2009.

Table B-2
Labor Force – Estimated Average Annual Employment and
Unemployment of City of San Diego Civilian Labor Force[(1)]
Calendar Years 2004 through 2008, and April 2009
(Not Seasonally Adjusted)

	Calendar Year					April
	2004	2005	2006	2007	2008	2009
Civilian Labor Force						
City of San Diego[(1)]						
Employed	631,200	639,700	647,900	652,400	657,300	639,800
Unemployed	31,400	29,000	26,800	31,100	41,900	63,900
Unemployment Rates						
City[(1)]	4.7%	4.3%	4.0%	4.6%	6.0%	9.1%
County[(1)]	4.7	4.3	4.0	4.6	6.0	9.1
California[(1)]	6.2	5.4	4.9	5.4	7.2	10.9
United States[(2)]	5.5	5.1	4.6	4.6	5.8	8.6

(1) Revised labor force data and Unemployment Rates are based on a March 2008 benchmark.
(2) The United States unemployment rates for calendar year 2004-2008 were generated as of February 19, 2009.
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 2009 was 703,700, of which approximately 63,900 persons were unemployed. Based on preliminary estimates of the EDD as of May 22, 2009, the City's unemployment rate in April of 2009 matched that of the County at 9.1% and was below the unemployment rate of the State, which was 10.9%. However, the City's unemployment rate slightly exceeded that of the United States, which was 8.6%.

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 2008. 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 2004 through 2008[1]

Industry Category	2004	2005	2006	2007	2008
Natural Resources & Mining	400	400	500	400	300
Construction	87,700	90,800	92,700	87,000	76,200
Manufacturing	104,300	104,500	103,900	102,500	102,300
Nondurable Goods	26,200	25,400	25,500	25,200	24,500
Durable Goods	78,100	79,100	78,400	77,300	77,800
Transportation, Warehousing & Utilities	28,400	28,400	28,700	28,800	29,300
Trade	186,800	191,000	193,400	193,600	186,700
Wholesale	41,900	43,600	45,100	45,500	44,500
Retail	144,900	147,400	148,300	148,100	142,200
Financial Activities(2)	81,900	83,200	83,700	80,300	75,800
Services(3)	556,400	568,700	580,900	594,000	603,600
Government	214,300	215,100	217,900	222,400	225,200
Federal	39,700	39,700	40,400	40,900	41,700
State and Local	174,600	175,400	177,500	181,500	183,500
TOTAL NONAGRICULTURAL	1,260,200	1,282,100	1,301,700	1,309,000	1,299,400

(1) All figures are based on a March 2008 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 which others appear in Services.

Personal Income

The following Table B-4 sets forth the per capita personal income in the County and the State for years 2004 through 2008.

Table B-4
Per Capita Personal Income[1]
Calendar Years 2004 through 2008

Calendar Year	County of San Diego	California
2004	$38,452[2]	$35,531
2005	40,383	37,418
2006	42,801	40,020
2007	44,832	41,805
2008	45,728	42,696

(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.
Source: County of San Diego data: Fiscal Year 2008 County Comprehensive Annual Financial Report, Statistical Section
California data: U.S. Department of Commerce, Bureau of Economic Analysis.

Property Value and Construction

The following Table B-5 sets forth total City assessed value, building permit valuations and the number of new construction permits issued in the City for Fiscal Years 2003-04 through 2007-08. The valuation of commercial permits includes both private, commercial construction and publicly funded, non-tax generating projects.

The San Diego County residential real estate market has continued to decline since hitting its peak in 2005. The subprime mortgage crisis and the resulting dramatic increase in the number or foreclosures have contributed to this downturn.

Table B-5
City of San Diego
Property Value and Construction
Fiscal Years 2003-04 through 2007-08

		Construction Permits Issued			
		Commercial		Residential	
Fiscal Year	Net Assessed Value[1][2]	Number of Units	Value	Number of Units	Value[2]
2003-04	$116,268,372	2,543	$717,693	5,882	$1,227,388
2004-05	129,836,535[2]	2,516	641,857	6,605	1,321,526
2005-06	125,983,315[2]	2,562	953,714	4,550	1,006,375
2006-07	139,151,323	2,543	670,497	3,907	820,581
2007-08	151,083,767	2,567	724,811	1,678	674,315

(1) Excludes certain exemptions.
(2) Includes an adjustment in assessed valuation in Fiscal Year 2005-06 due to a change in the allocation method between the City and the Redevelopment Agency. This methodology change beginning in Fiscal Year 2005-06 resulted from management's decision to begin using an external source to calculate statistical information in conjunction with the implementation of GASB 44. Adjusting for the methodology used in Fiscal Year 2005-06, Net Assessed Valuation for Fiscal Year 2004-05 would have been $112,818,838,000 (in whole dollars).
Source: Net Assessed Values: Fiscal Year 2008 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office, City of San Diego.
Construction permits issued and Dwelling Units: Development Services Department, City of San Diego.

According to the County Assessor's Office, there has been an increase in the number of foreclosures and notices of loan default issued in San Diego County in calendar year 2008, relative to calendar year 2007. For the three calendar years from 2004 through 2006, an average 16.2% of notices of loan defaults resulted in foreclosures. This percentage increased to 37.92% in 2007 and 57.53% in 2008. In 2007 an average of 6.31% of total deeds recorded were foreclosures. This percentage increased to 17.01 % in 2008.

The following Table B-6 sets forth foreclosure activity in the County for the calendar years 2004 through 2008.

Table B-6
County of San Diego
Foreclosure Activity
Calendar Years 2004 through 2008

Calendar Year	Foreclosures	Total number of Housing Units(1)	% of Total Housing Units
2004	553	1,093,198	0.05%
2005	559	1,107,985	0.05
2006	2,065	1,118,283	0.18
2007	8,417	1,131,749	0.74
2008	19,528	1,140,349	1.71

Source: County of San Diego, Assessor's Records; and SANDAG.
(1) As of January 1 of the indicated year.

APPENDIX C

EXCERPTS FROM ANNUAL FINANCIAL REPORT OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2008

This Appendix contains a copy of the Annual Financial Report of the Agency for the Fiscal Year ended June 30, 2008 (the "Report"), other than the section of the Report entitled "Supplemental Information Section (Unaudited) – Assessed Valuations." The complete Report is available on the City of San Diego's website; however, none of the information on that website is incorporated by reference in this Official Statement or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds.

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Redevelopment Agency of the City of San Diego

State of California

Annual Financial Report

Fiscal Year Ended June 30, 2008

This report has not been reviewed by the Audit Committee nor has it been received and filed by the Agency Board

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Introductory Section

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CITY OF SAN DIEGO
REDEVELOPMENT AGENCY

April 20, 2008

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, 2008 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

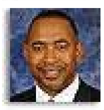
District 2
Chair Pro Tem Kevin Faulconer

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

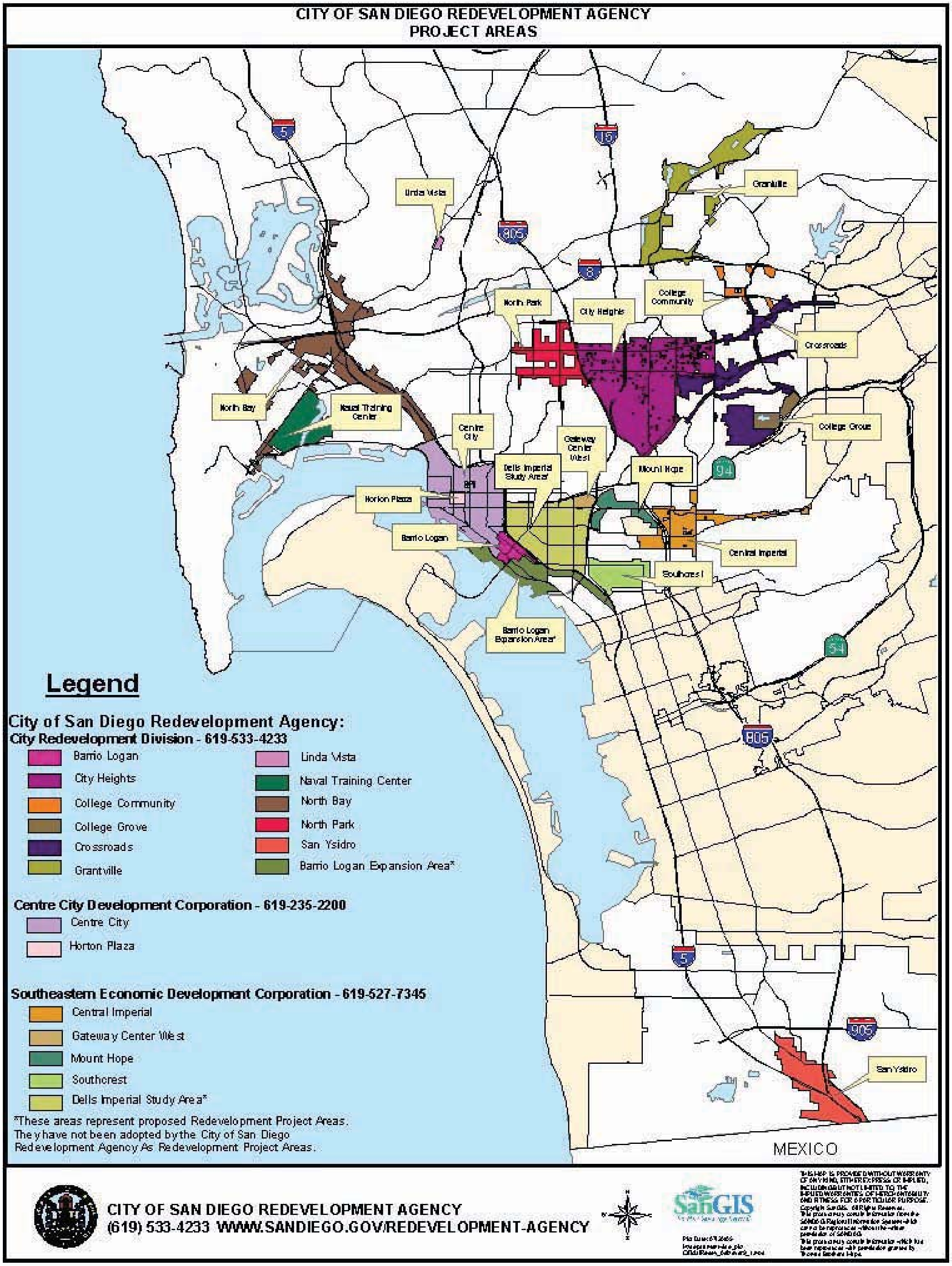
Janice Weinrick, Deputy Executive Director

Gail R. Granewich, Treasurer

Elizabeth Maland, Secretary

OTHER OFFICIALS

Mary Lewis, Chief Financial Officer, City of San Diego


CITY OF SAN DIEGO REDEVELOPMENT AGENCY
PROJECT AREAS
Linda Vista
North Park
City Heights
College Community
Crossroads
College Grove
North Bay
Naval Training Center
Centre City
Gateway Center West
Mount Hope
Horton Plaza
Barrio Logan
Central Imperial
Southcrest
Barrio Logan Expansion Area*
San Ysidro
MEXICO
Legend
City of San Diego Redevelopment Agency:
City Redevelopment Division - 619-533-4233
Barrio Logan
City Heights
College Community
College Grove
Crossroads
Grantville
Linda Vista
Naval Training Center
North Bay
North Park
San Ysidro
Barrio Logan Expansion Area*
Centre City Development Corporation - 619-235-2200
Centre City
Horton Plaza
Southeastern Economic Development Corporation - 619-527-7345
Central Imperial
Gateway Center West
Mount Hope
Southcrest
Dells Imperial Study Area*
*These areas represent proposed Redevelopment Project Areas.
They have not been adopted by the City of San Diego
Redevelopment Agency As Redevelopment Project Areas.
CITY OF SAN DIEGO REDEVELOPMENT AGENCY
(619) 533-4233 WWW.SANDIEGO.GOV/REDEVELOPMENT-AGENCY
SanGIS

Financial Section

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

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

SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

NEWPORT BEACH

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, 2008, 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, 2008, 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 April 20, 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 31 and 72 through 74, 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, combining fund statements and schedules – nonmajor governmental funds and the supplemental information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules – nonmajor governmental funds 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
April 20, 2009

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
(In Thousands)
June 30, 2008

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, 2008.

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 34 and 35 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 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 36-40 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 42 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, a budget to actual comparison schedule of the Centre City Low and Moderate Income Housing Fund can be found on pages 72-74. 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
(In Thousands)

	Governmental Activities 2008	Governmental Activities 2007	Dollar Increase (Decrease)	Percent Increase (Decrease)
Current and Other Assets	$ 826,851	$ 648,998	$ 177,853	27%
Capital Assets	177,105	149,098	28,007	19%
Total Assets	1,003,956	798,096	205,860	26%
Current and Other Liabilities	49,966	34,269	15,697	46%
Net Long-Term Debt	918,723	824,897	93,826	11%
Total Liabilities	968,689	859,166	109,523	13%
Net Assets				
Invested in Capital Assets, Net of Related Debt	83,152	67,822	15,330	23%
Restricted	108,733	82,244	26,489	32%
Unrestricted	(156,618)	(211,136)	54,518	26%
Total Net Assets	$ 35,267	$ (61,070)	$ 96,337	158%

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, 2008, by $35,267.

Of the Total Net Assets $83,152 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 $108,733 represent resources that are subject to external restrictions on how they may be used. Restricted Net Assets increased by $26,489 over the prior year, or about 32% 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 $156,618 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
(In Thousands)

	Governmental Activities 2008	Governmental Activities 2007	Dollar Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Program Revenues				
Operating Grants and Contributions	$ 47	$ 5,177	$ (5,130)	-99%
Capital Grants and Contributions	15,506	7,248	8,258	114%
General Revenues				
Property Taxes	177,353	149,833	27,520	18%
Grants and Contributions Not Restricted to Specific Programs	4,775	448	4,327	966%
Revenue from Use of Money and Property	32,947	27,619	5,328	19%
Loss on Sale of Capital Assets	(11)	-	(11)	0%
Loss on Sale of Land Held for Resale	(9,319)	(1,796)	(7,523)	419%
Total Revenues	221,298	188,529	32,769	17%
Expenses:				
General Government and Support	48,201	38,937	9,264	24%
Neighborhood Services	33,091	32,703	388	1%
Interest on Long-Term Debt	43,669	41,907	1,762	4%
Total Expenses	124,961	113,547	11,414	10%
Change in Net Assets	96,337	74,982	21,355	28%
Net Assets, July 1	(61,070)	(136,052)	74,982	55%
Net Assets, June 30	$ 35,267	$ (61,070)	$ 96,337	158%

Governmental Activities

Governmental activities increased the Agency's net assets by $96,337 hereby accounting for 100% of the total increase in net assets during fiscal year 2008. Key elements of this increase are as follows:

- Operating Grants and Contributions decreased approximately $5,130 or about 99%. This was partly due to a onetime payment collected in the prior year associated with the Broadway Towers project in the Centre City Project Area as the developer exercised the buyout option under the agreement to terminate any Agency participation on the project. In addition, participation payment revenue from Horton Plaza classified as operating grants and contributions in the prior year was reclassified as general revenue in the current year to reflect the fact that it is not restricted for specific programs.

- Capital Grants and Contributions increased by $8,258 or about 114%. This was mostly due to reimbursement of costs by the City, from Development Impact Fees, for eligible park and fire projects in the Centre City Project Area.

- Property Tax revenues increased by $27,520 or approximately 18%. 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 increase receiving $21,121, or approximately 22%, over the prior year 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.

- Revenue from the use of Money and Property increased by $5,328 or about 19%. This was mostly due to an increase in investment income of approximately $4,637 primarily attributed to increases in market values of the Agency's investments as well as an increase in the overall size of the Agency's investments from fiscal year 2007 to 2008.

- Grants and Contributions not restricted for specific programs increased by $4,327, or about 966%, due in part to revenue received for the sale of downtown condominium units in the current fiscal year pursuant to a participation agreement with a developer. In addition, Horton Plaza participation payment revenue classified as operating grants and contributions in the prior year was reclassified as general revenue in the current fiscal year due to the fact that it is not restricted for specific programs.

- Loss on Sale of Land Held for Resale increased by $7,523 mostly due to a current year loss on the disposition of a parcel in the Centre City Project Area related to the Renaissance Hotel project. The 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.

- General Government and Support Expense increased by $9,264 or approximately 24%. This is mostly attributed to an increase in tax sharing payments of approximately $5,300 pursuant to California Law and tax sharing agreements. In addition, administrative expenses increased by approximately $2,269 due to increased costs of operating the Agency's administrative units and other City services.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

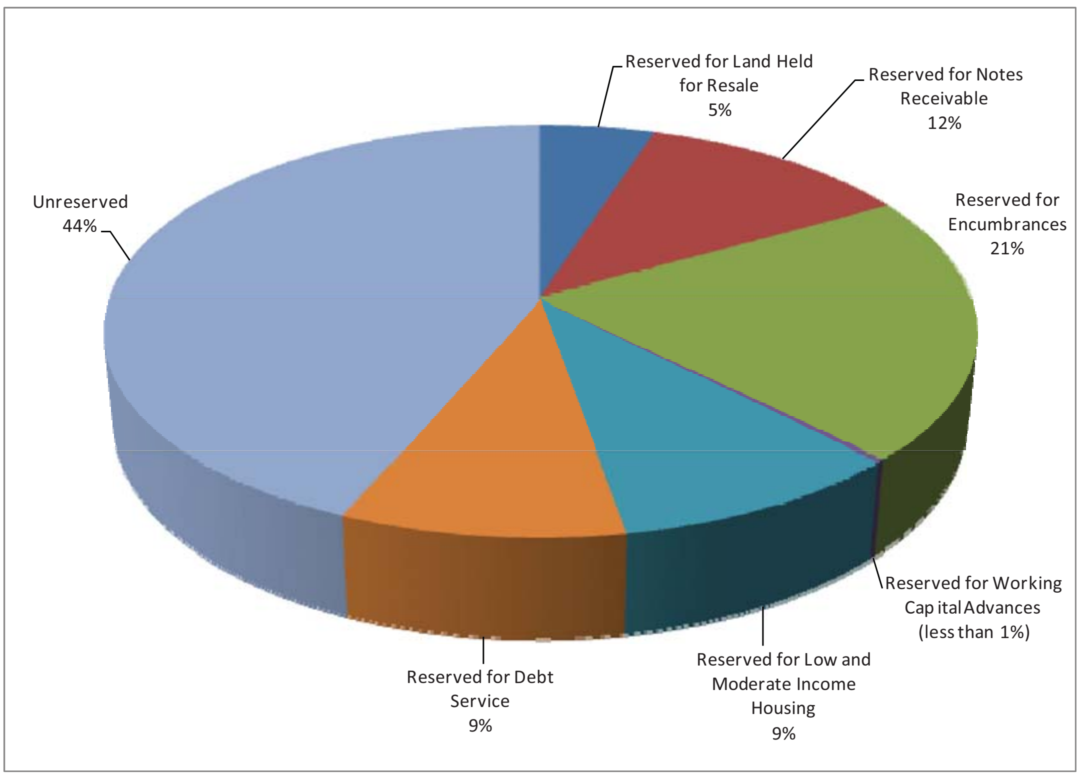
As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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, 2008, the Agency's governmental funds reported combined ending fund balances of $801,914. Approximately 56% or $452,049 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 44% or $349,865 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 $170,056 or about 27% over the prior year. The increase is mostly attributed to the issuance of long term debt of $121,171 in the current fiscal year. In addition, revenue from City participation in redevelopment projects increased by $10,049, mostly from City reimbursements of Agency costs for eligible park and fire projects from Development Impact Fees and from increased parking revenue transferred by the City to the Agency for parking enhancements in the Centre City Project Area. Also, tax increment revenue increased by approximately $27,520. The following table shows a breakdown of year over year changes in tax increment revenue for each project area.

CHANGES IN TAX INCREMENT
(In Thousands)

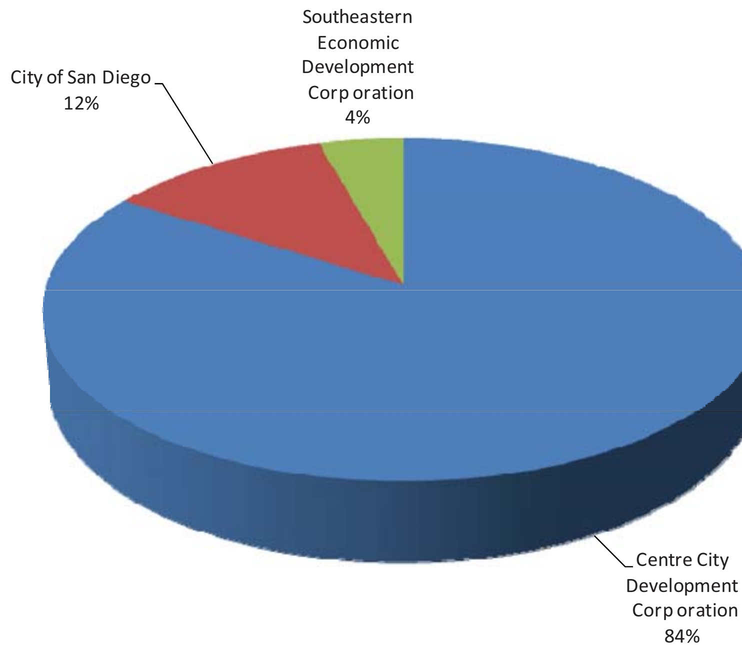
	Tax Increment 2008	Tax Increment 2007	Dollar Increase (Decrease)	Percent Increase (Decrease)
Barrio Logan	$ 679	$ 534	$ 145	27%
Central Imperial	2,249	2,124	125	6%
Centre City	116,971	95,850	21,121	22%
City Heights	14,290	12,731	1,559	12%
College Community	1,160	730	430	59%
College Grove	718	674	44	7%
Crossroads	4,274	3,786	488	13%
Gateway Center West	334	279	55	20%
Grantville*	-	-	-	0%
Horton Plaza	8,400	8,534	(134)	-2%
Linda Vista	94	89	5	6%
Mount Hope	1,598	1,445	153	11%
Naval Training Center	4,001	4,120	(119)	-3%
North Bay	8,231	7,251	980	14%
North Park	7,964	5,887	2,077	35%
San Ysidro	3,936	3,773	163	4%
Southcrest	2,454	2,026	428	21%
	$ 177,353	$ 149,833	$ 27,520	18%

*Tax Increment revenue in the amount of $737 and $447 for fiscal years 2008 and 2007, respectively, were deposited in the Agency and County Joint Account per agreement dated February 14, 2007, pending settlement of the Grantville Action Validation lawsuit.

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-r, on page 48, 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

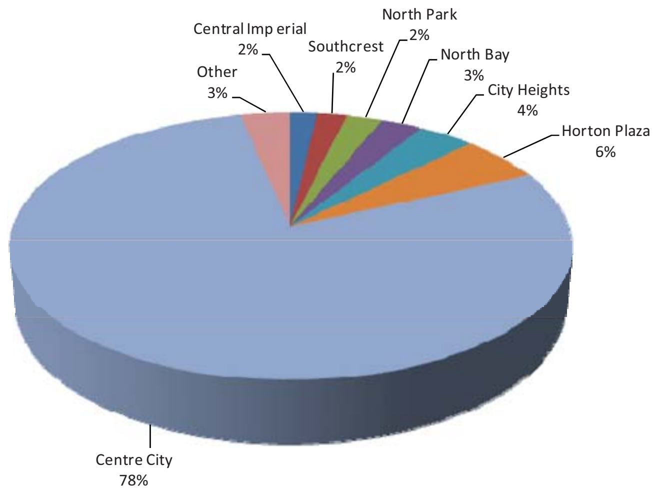


The CCDC administers the two project areas in downtown San Diego, which have the largest share of the Agency's combined fund balances. As of June 30, 2008 project areas administered by the CCDC, accounted for $674,504 or about 84% of the Agency's combined fund balances.

The SEDC administers four project areas in southeastern San Diego, which, as of the end of the fiscal year, accounted for $34,530, or about 4%, of the Agency's combined fund balances.

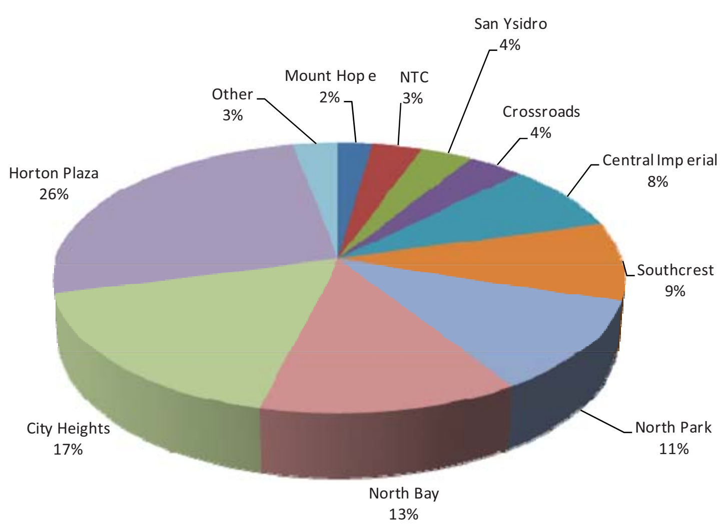
The Redevelopment Division of the City of San Diego administers eleven project areas throughout the City, which, as of the end of the fiscal year, accounted for $92,880, or about 12%, of the Agency's combined fund balances.

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, with the exception of the Centre City Other Special Revenue Fund, are major funds. Major funds are reported as separate columns in the fund financial statements. Combining fund statements and schedules for non-major governmental funds can be found beginning on page 76 of this report. The following chart reflects the composition of the Agency's non-major fund balance by project area.

PERCENTAGE OF AGENCY COMBINED NON-MAJOR FUND BALANCES BY PROJECT AREA*



*Excludes the Centre City Low and Moderate Income Housing Special Revenue Fund, the Centre City Debt Service Fund and the Centre City Capital Project Fund.

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, 2008 was $200,521, which is an increase of $76,023, or about 61% over the prior year. Most of the increase is attributed to the receipt of proceeds from the issuance of affordable housing tax allocation bonds in the final month of fiscal year 2008. Approximately 69% or $137,949 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 $62,275 or 31% is available for spending on low and moderate income projects.

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 a fiscal agent, 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 $231,826 of which, $57,138, or about 25%, is reserved for debt service. The fund balance showed an increase of $182,779 from the prior year primarily due to a transfer of tax increment revenue previously collected in the Centre City Special Revenue Fund. In addition, reserve requirements associated with the Centre City 2008 tax allocation bond issuance contributed to a fund balance increase of approximately $6,900.

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, and developer contributions. The fund balance at June 30, 2008 amounted to $197,464 which is a decrease of $19,355 or about 9% over the prior year. In the current fiscal year, costs associated with the purchase of land for development of parks totaled $20,670. In addition, a loss from the sale of land held for resale of $9,319 related to the Renaissance Hotel project was reflected as project improvement expense in the current fiscal year. These costs were offset by City Participation revenue of $11,723 mostly from reimbursements for eligible park and fire projects by the City from Development Impact Fees and from increased parking meter revenue transferred by the City for parking enhancements in the project area.

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, there were land purchases for the development of parks in the Centre City Project Area of approximately $20,271. In addition, rehabilitation costs associated with the Balboa Theatre in the Horton Plaza Project Area contributed to an increase in capital assets of $8,784. The completion of the Balboa Theatre rehabilitation resulted in a decrease in construction in progress balances of $20,115 and a corresponding increase in Structures and Improvements for the same amount. In addition, preliminary land acquisition costs, which had been capitalized in prior years, were expensed due to the fact that the acquisitions did not materialize. This contributed to a capital asset decrease of $11.

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

	2008	2007
Land	$ 110,907	$ 90,647
Construction in Progress	-	20,115
Structures and Improvements	66,102	38,207
Equipment	96	129
Total	$ 177,105	$ 149,098

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

HIGHLIGHTS OF FISCAL YEAR 2008 REDEVELOPMENT ACTIVITIES
(In Thousands)

Barrio Logan Project Area

- Completed construction and occupancy of the Gateway Family Apartments Project, an affordable housing project. The Centre City Redevelopment Project area contributed funds to this project.
- Initiated construction of the Los Vientos and La Entrada Family Apartments affordable housing projects.

Central Imperial Project Area

- Continued construction of a 75,000 square-foot office and community meeting center for the Village Center at Euclid Avenue and Market Street, and the 24-Hour Fitness Center and Navy Federal Credit Union at the Imperial Marketplace.
- Identified locations for twenty-one (21) new streetlights along Imperial Avenue from 61st to 69th Streets and funded the construction and installation. Issued $14,865 in bonds for redevelopment projects and refinance bonds issued in 2000 for an economic gain of approximately $242.

Centre City Project Area

- Seven (7) new residential market rate developments were completed consisting of 909 units, included 61,000 square feet of commercial spaces.
- Three (3) new affordable housing projects consisting of a total of 130 affordable housing units were built with Agency funds generated within the project area. These projects were located outside of the Centre City Redevelopment Project Area.
- Four (4) new hotels were completed consisting of 858 rooms and 25,000 square feet of commercial space.
- An Additional 121,000 square feet of commercial/retail space was completed.
- Completed construction of the Tweet Street (Cortez Hill) Park.
- Completed construction of the Children's Museum Park.
- Three (3) parcels have been acquired for the East Village Green Park and one (1) parcel for St. Joseph's Park.
- A consulting team was selected to create the construction documents for Phase I (Broadway to B Street) of the North Embarcadero Visionary Plan.
- The Agency awarded a contract for the construction of the Pedestrian Bridge that will provide a safe pedestrian crossing over Harbor Drive and Park Boulevard and the existing train and trolley tracks
- The Quiet Zone project has completed the environmental review and the public and City ordinance process to convert G Street to a one-way street.
- The Agency acquired a 23,850 square foot site on the north side of Cedar between 5th & G Avenues. The site will be developed into a sixty-five (65) unit affordable housing project, and 8,665 square feet of retail space
- Affirmed Housing, with Agency participation, is constructing the 1050 B development, an affordable high-rise residential project. The project includes 226 low and moderate income rental housing units and 14,000 sq. ft. of retail space. Construction began in FY 2008 and is expected to be completed in April 2010.
- Housing Development Partners, with Agency participation is constructing 275 affordable residential apartment units in a five-story building called Studio 15. Construction began in April 2007 and was completed in April 2009.
- The construction of the Parkside mixed-used development is underway. When complete, this building will have seventy-seven (77) rental units, seventy-six (76) of which are affordable.
- Construction of Gaslamp streetscape improvements was completed. The areas rehabilitated in the Gaslamp area are bound by Broadway, L Street, Fourth Avenue and Sixth Avenue.
- India Street Improvement Phase II is nearly complete consisting of gutter, sidewalk and streetlight of India Street from Grape Street to Laurel Street.
- The Core District Street Lights was completed in March 2009. This public works project installed 110 new streetlights and retrofitted sixteen (16) streetlights.
- The litter receptacle project phase II for the installation of 215 new litter receptacles and the removal of 150 existing litter receptacles was completed in March 2009.
- CCDC is conducting a series of interrelated studies, such as neighborhood design guidelines, parking, transit, open space needs, downtown lighting and way-finding.

City Heights Project Area

- Provided funding to initiate the design and construction of a 5,348 square foot mini-park.
- Completed construction of a 25,000 square foot public park.
- The City Heights Square Senior Housing and Auburn Park Apartments projects were completed. The Centre City Redevelopment Project area contributed funds to these projects.
- Provided $120 in funding for the Community FACELIFT and Project C.L.E.A.N. programs for low- and moderate-income residents within the project area to improve the living conditions within their community.
- Funded four (4) Home in the Heights First Time Homebuyer Program loans.

- The City Heights Housing Enhancement Loan Program (HELP) provided funding to twenty-eight (28) low- to moderate-income owners to perform residential rehabilitation and other home repair related activities.

Crossroads Project Area

- Provided funding to the International Rescue Committee (IRC) in support of the establishment of urban farm for community residents.
- Completed the reconstruction and landscaping of the El Cajon medians between 54th Street to 73rd Street.
- The Crossroads Housing Enhancement Loan Program (HELP) provided funding for seven (7) low-income owners that occupy single family homes and nine (9) funded enhancements were completed.
- Established a storefront improvement program within the project area.

Gateway Center West Project Area

- Constructed the SDG&E Administration Building located at 735 33rd Street.
- Conducted a legally-required blight study for the proposed expansion of Dells Imperial Study Area, and initiated a public outreach effort to engage local residents and stakeholders in the amendment process, leading to a Project Area Committee election and formation.

Horton Plaza Project Area

- In January 2008, the historic Balboa Theatre opened after completion of its rehabilitation. The Balboa Theatre was originally completed in 1924. The Agency purchased the Balboa Theatre in 1985.
- The Agency funded the Transitional Senior Housing Program. This program is providing homeless seniors with vouchers to rent rooms and housing.
- The Agency expended funds for the development of the Talmadge Senior project which is located outside of the Horton Plaza project area.
- The Agency provided funding of the Barrio Logan Community Plan that is underway. The plan will support upgrades and changes to a community adjacent to the Centre City Redevelopment Project Area.

Linda Vista Project Area

- Provided a Housing Enhancement Loan Program. Nine projects were completed during this period.

Mount Hope Project Area

- Revised the Residential Rehabilitation Program (H.E.L.P.) to increase limits on loan/grant amounts to ensure the highest derived benefit is obtained.
- Completed plans for the Mt. Hope Market Street Median and Streetlight Project and coordinated with City Development Services Department to complete review of the plans.

Naval Training Center Project Area

- Began construction on Phase 2 of the new NTC Park.
- Provided funding assistance for the Verbena and El Pedregal affordable housing projects.
- Courtyard by Marriott opened a new 200 room hotel located at 2592 Laning Road in the project area.
- Homewood Suites by Hilton opened a new 150 room hotel in the project area.

- Renovation was completed on the Liberty Station Convention Center.
- Shoreline Plaza/Ocean Village completed three building rehabilitations and two businesses opened in these expanded locations.
- The Rock Church completed renovation of their facilities in the project area.
- Rehabilitation has completed on six (6) historic buildings in the northern area for a new commercial/retail district called The Landing.
- Construction has completed on an office building at 2305 Historic Decatur Road.

North Bay Project Area

- The Agency approved the installation of Pedestrian Improvements in the Five Points community that will include two pedestrian curb ramps, two curb extensions, and one countdown pedestrian crossing signal.
- Entered into an agreement for the design and construction of median improvements on Clairement Drive.
- The Phase IIA construction of the Veterans Village of San Diego was completed creating 112 transitional housing beds for Homeless Veterans.
- The Phase IIB construction of the Veterans Village of San Diego consisting of the building of a medical facility and employment center has been completed.
- The Agency purchased the land for the Veterans Village Phase III that will add an additional ninety-six (96) transitional beds and a parking lot..
- The Agency provided funding for the Morena Boulevard Storefront Improvement Program (SIP) that is administered by the City of San Diego. Two (2) SIP projects were completed in the project area.

North Park Project Area

- Initiated market study to evaluate potential redevelopment/rehabilitation opportunities.
- The Agency assisted with the selection of a consultant to work with the City of San Diego and the community on design and development of a park behind the North Park Theatre.
- The Agency formed a committee and solicited artist submissions for artwork that will be replicated as sixteen large scale banners and installed on the North Park Parking Garage.
- An Owner Participation Agreement was entered into with SVDP Management (Father Joe's Villages) to provide a $2,400 residual receipts loan for the construction of 23 very low-income rental units.
- A contract with North Park Main Street, a non-profit organization charged with revitalization of the North Park Business Improvements District, was extended to assist in proactively seeking new commercial and residential development within the project area through the solicitation of developer interest/proposals.

San Ysidro Project Area

- Installed nine (9) pole attachments for the first phase of the estimated $400 Street Light Improvement Project, which includes twenty (20) decorative lights and thirty-five (35) cobra lights.
- Completed design work and initiated the bidding process for the Camino de la Plaza Improvement Project, enabling the construction of sidewalks, curbs, landscaping, fencing, and sidewalk furniture.
- Negotiated a $245 Rehabilitation Loan Agreement with the San Ysidro Health Center to assist with constructing offsite improvements and enabling the expansion of the current facilities.
- Approved the development of the Verbena affordable housing project.
- Approved $500 Home Rehabilitation Program to allow up to $30 in forgivable loans for health and safety repairs and exterior improvements.

Southcrest Project Area

- Provided a refinancing loan and rehabilitation funds to the MAAC Project for the Mayberry Townhomes, a seventy (70) unit low and very low income rental homes project. Amended seven grants totaling $35 and completed four residential rehabilitation projects totaling $20 for Single-Family Residential Rehabilitation Loan and Grant program participants.

Long-Term Debt

At June 30, 2008, the Agency long-term debt totaled $924,878. Of this amount, $28,390 is secured by specified revenue sources (revenue bonds) and $548,643 is comprised of tax allocation bonds. The remainder of the Agency's debt represents contracts payable, notes payable, and loans payable.

REDEVELOPMENT AGENCY
OUTSTANDING DEBT
(In Thousands)

	2008	2007
Revenue Bonds	$ 28,390	$ 29,310
Tax Allocation Bonds	548,643	502,804
Contracts Payable	2,615	2,615
Notes Payable	13,962	16,855
Pooled Financing Authority Loans Payable	34,115	-
Loans Payable	151,859	136,254
Accrued Interest Payable	145,294	134,832
Total	$ 924,878	$ 822,670

The Public Facilities Financing Authority (PFFA) issued $17,230 of taxable pooled financing bonds, Series 2007 A and $17,755 of tax-exempt pooled financing bonds Series 2007 B. The Series 2007 A and B bonds were issued to make Pooled Financing Authority loans to the Agency for financing and refinancing redevelopment activities in Southcrest, Central Imperial and Mount Hope Redevelopment Project areas.

The Agency executed six non-revolving lines of credit with San Diego National Bank for an aggregate total amount available of $70,000. Four lines of credit are for affordable housing in North Park, City Heights, North Bay and Naval Training Center (NTC) Redevelopment Project Areas, and the two remaining lines of credit are for non-housing or general purposes for City Heights and NTC Redevelopment Project Areas. As of June 30, 2008 the amount actually drawn on the lines of credit totaled $16,063.

The Agency issued $69,000 of Housing Tax Allocation Bonds to finance certain improvements relating to, or increasing the supply of, low and moderate income housing in the Centre City Redevelopment Project and such other areas as authorized by Redevelopment Law. The 2008 A bonds are payable from, secured equally and are on parity with outstanding Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2004 C and 2004 D and 2006 B bonds, by a pledge of and lien on the housing tax revenues derived by RDA from the Centre City Redevelopment Project.

Total principal payments for long-term debt were $29,425. Of this amount, $24,081 was for outstanding bonds, including $10,145 for the amount of outstanding Mount Hope Series 1995B, Southcrest 1995, Southcrest 2000 and Central Imperial 2000 bonds refunded by the pooled financing authority loans dated June, 2007. Payments on loans payable were $2,451 and payments on notes payable were $2,893.

The Agency received $1,123 in loan proceeds from the City. Of the total, $675 constituted a loan to the Agency for activities in the Barrio Logan project area funded from a general fund Southcrest loan repayment to the City. In addition the City made a $448 loan to the Naval Training Center project area, from a Housing and Urban Development Section 108 loan issued by the Federal government to the City for the purpose of rehabilitating historical buildings in the Naval Training Center Project Area. Overall, outstanding accrued interest payable on loans and notes from the City increased by $10,462. Detailed information on loans payable to the City, by project area, can be found on page 116 of this report.

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

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, 2008
(In Thousands)

		Governmental Activities
ASSETS		
Cash or Equity in Pooled Cash and Investments	$	482,497
Cash and Investments With Fiscal Agent		72,897
Investments at Fair Value		115,296
Receivables:		
Taxes - Net		6,062
Notes and Contracts		94,681
Accrued Interest		3,048
Working Capital Advances:		
Centre City Development Corporation		1,200
Southeastern Economic Development Corporation		295
Other Agencies		623
Land Held for Resale		39,982
Deferred Charges		10,270
Capital Assets - Non-Depreciable		110,907
Capital Assets - Depreciable		66,198
TOTAL ASSETS		1,003,956
LIABILITIES		
Accounts Payable		9,110
Interest Accrued on Long-Term Debt		11,030
Sundry Trust Liabilities		5,557
Long-Term Liabilities Due Within One Year		24,269
Long-Term Liabilities Due After One Year:		
Contracts Payable		2,615
Developer Notes Payable		5,662
City Note Payable		8,300
City Loans Payable		118,984
Other Loans Payable		24,317
Net Pooled Financing Authority Loans		33,835
Net Bonds Payable		566,879
Accreted Interest Payable on Bonds		12,837
Accrued Interest Payable on City Notes		5,047
Accrued Interest Payable on City Loans		140,247
TOTAL LIABILITIES		968,689
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		83,152
Restricted for:		
Low and Moderate Housing		108,733
Unrestricted		(156,618)
TOTAL NET ASSETS	$	35,267

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008
(In Thousands)

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expenses) and Changes in Net Assets: Total Governmental Activities
Primary Government:				
Governmental Activities:				
General Government and Support	$ 48,201	$ -	$ 113	$ (48,088)
Neighborhood Services	33,091	47	15,393	(17,651)
Interest on Long-Term Debt	43,669	-	-	(43,669)
TOTAL GOVERNMENTAL ACTIVITIES	$ 124,961	$ 47	$ 15,506	(109,408)
General Revenue and Transfers:				
Property Taxes				177,353
Grants and Contributions Not Restricted to Specific Programs				4,775
Revenue from Use of Money and Property				32,947
Loss on Sale of Capital Assets				(11)
Loss on Sale of Land Held for Resale				(9,319)
TOTAL GENERAL REVENUES AND TRANSFERS				205,745
CHANGE IN NET ASSETS				96,337
Net Assets at Beginning of Year				(61,070)
NET ASSETS AT END OF YEAR				$ 35,267

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008
(In Thousands)

	Centre City Special Revenue Low-Mod	Centre City Debt Service
ASSETS		
Cash or Equity in Pooled Cash and Investments	$ 128,112	$ 170,228
Cash and Investments with Fiscal Agent	-	56,926
Investments at Fair Value	-	-
Receivables:		
Taxes	867	3,466
Notes and Contracts	61,551	-
Interest	589	1,206
Working Capital Advances:		
Centre City Development Corporation	-	-
Southeastern Economic Development Corporation	-	-
General Working Capital	-	-
Land Held for Resale	12,057	-
TOTAL ASSETS	$ 203,176	$ 231,826
LIABILITIES		
Accounts Payable	$ 2,563	$ -
Trust Liability	92	-
TOTAL LIABILITIES	2,655	-
FUND BALANCES		
Reserved for Land Held for Resale	12,057	-
Reserved for Notes Receivable	61,551	-
Reserved for Encumbrances	64,341	-
Reserved for Working Capital Advances	-	-
Reserved for Low and Moderate Income Housing	62,572	-
Reserved for Debt Service	-	57,138
Unreserved:		
Reported in Special Revenue Funds:		
Designated for Unrealized Gain	-	-
Designated for Subsequent Years' Expenditures	-	-
Undesignated	-	-
Reported in Debt Service Funds:		
Designated for Unrealized Gain	-	-
Designed for Debt Services	-	174,667
Designated for Subsequent Years' Expenditures	-	21
Undesignated	-	-
Reported in Capital Projects Funds:		
Designated for Unrealized Gain	-	-
Designated for Subsequent Years' Expenditures	-	-
Undesignated	-	-
TOTAL FUND BALANCES	200,521	231,826
TOTAL LIABILITIES AND FUND BALANCES	$ 203,176	$ 231,826

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

Centre City Capital Project	Other Governmental Funds	Total Governmental Funds
$ 75,317	$ 108,840	$ 482,497
-	15,971	72,897
105,945	9,351	115,296
-	1,729	6,062
1,336	31,794	94,681
498	755	3,048
925	275	1,200
-	295	295
-	623	623
20,630	7,295	39,982
$ 204,651	$ 176,928	$ 816,581
$ 2,502	$ 4,045	$ 9,110
4,685	780	5,557
7,187	4,825	14,667
20,630	7,295	39,982
1,336	31,794	94,681
65,484	36,037	165,862
925	1,193	2,118
-	13,699	76,271
-	15,997	73,135
-	64	64
-	9,072	9,072
-	1,842	1,842
-	9	9
-	44,905	219,572
-	972	993
-	35	35
448	124	572
108,641	17,366	126,007
-	(8,301)	(8,301)
197,464	172,103	801,914
$ 204,651	$ 176,928	

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.	177,105
Other assets and liabilities used in govermantal activities are not financial resources, and therefore, are not reported in the funds.	10,270
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(954,022)
Net Assets of Governmental Activities	$ 35,267

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008
(In Thousands)

	Centre City	
	Special Revenue Low-Mod	Debt Service
REVENUES		
Tax Increments	$ 23,394	$ 93,577
Interest	4,121	9,244
Rents	195	-
Private Sources	-	-
City Participation	151	-
Other Revenue	3,828	-
TOTAL REVENUES	31,689	102,821
EXPENDITURES		
Administration	1,178	640
Legal	152	-
Plans and Surveys	352	-
Acquisition Expense	35	-
Real Estate/Fixture Purchases	17	-
Property Management	84	-
Relocation	97	-
Rehabilitation	299	-
Site Clearance	-	-
Project Improvements	7,551	-
Promotions and Marketing	-	-
Bond Sale Expense	272	1,585
Program Management	50	-
Rehabilitation Loans	224	-
Housing Subsidies	-	-
Tax Sharing Payments	-	-
City Projects	-	-
Other	-	-
Debt Service:		
Principal	-	11,094
Interest	-	20,822
Advance Refunding Escrow	-	-
TOTAL EXPENDITURES	10,311	34,141
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,378	68,680
OTHER FINANCING SOURCES (USES)		
Transfers from Tax Increments	133	120,559
Transfers from Other Funds	-	8,243
Transfers from Bond Proceeds	-	-
Transfers to Other Funds	(5,827)	(23,188)
Transfers to Escrow Agent	-	-
Proceeds from Bonds	60,339	8,661
Proceeds from Developer Loans, Notes and Contracts	-	-
Loans from the City of San Diego	-	-
Premium on Bonds and Loans Issued	-	-
Discount on Bonds and Loans Issued	-	(176)
TOTAL OTHER FINANCING SOURCES (USES)	54,645	114,099
NET CHANGE IN FUND BALANCES	76,023	182,779
FUND BALANCES AT JUNE 30, 2007	124,498	49,047
FUND BALANCES AT JUNE 30, 2008	$ 200,521	$ 231,826

Centre City Capital Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 60,382	$ 177,353
10,470	6,690	30,525
1,923	304	2,422
2,505	2,376	4,881
11,723	2,416	14,290
537	619	4,984
27,158	72,787	234,455
7,688	7,734	17,240
1,480	898	2,530
4,026	1,015	5,393
46	149	230
20,197	247	20,461
622	664	1,370
147	87	331
424	7,117	7,840
6	-	6
18,969	7,933	34,453
67	3	70
-	1,072	2,929
1,967	625	2,642
-	213	437
-	516	516
-	23,732	23,732
110	4,472	4,582
-	6	6
-	8,186	19,280
-	10,237	31,059
-	1,100	1,100
55,749	76,006	176,207
(28,591)	(3,219)	58,248
9,236	69,382	199,310
-	6,397	14,640
-	1,175	1,175
-	(186,110)	(215,125)
-	(9,576)	(9,576)
-	-	69,000
-	51,048	51,048
-	1,123	1,123
-	389	389
-	-	(176)
9,236	(66,172)	111,808
(19,355)	(69,391)	170,056
216,819	241,494	631,858
$ 197,464	$ 172,103	$ 801,914

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008
(In Thousands)

Net change in fund balances - total governmental funds (page 39)	$ 170,056
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.	28,018
The Statement of Activities reports losses arising from the retirement of existing capital assets. Conversely, govermental funds do not report any gain or loss on retirement of capital assets.	(11)
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, govermental 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 Statementy of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(90,321)
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.	(11,405)
Change in net assets of governmental activities (page 35)	$ 96,337

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, 2008

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 of the non-fiduciary activities of the Agency. For the most part, 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 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 non-major 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 Revenue

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 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 Revenue is recognized in the fiscal year for which the taxes have been levied. For the governmental funds, property tax revenue is 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.

e. 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. This budget includes annual budgets for many of the Debt Service funds, all Capital Projects funds, and the Low and Moderate Income Housing 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 of resolutions by the Agency’s Board of Directors.

Budgetary control is maintained at the total fund appropriation 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.

A budget to actual comparison for the Centre City Low and Moderate Income Housing Fund is presented on page 72 of this report.

f. 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.

g. 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 market value adjustments to the Pool are recorded annually; City Treasurer reports fair market values on a monthly basis. The value of the shares in the Pool is equal to the fair market 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.

h. 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.

i. 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 market 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

j. 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.

k. 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.

l. 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.

m. 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.

n. 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.

o. 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.

p. 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.

q. Disposition and Development Agreements

The Agency and McMillin-NTC, LLC ("McMillin") entered into a Disposition and Development Agreement ("DDA"), dated June 26, 2000, and a Third Implementation Agreement, dated May 6, 2003, which were executed for the purpose of effectuating the Redevelopment Plan at the Naval Training Center Redevelopment Project, in addition to constructing and installing additional infrastructure improvements as required by the City, McMillin has agreed to advance the funds needed to pay for infrastructure costs. The Agency has consistently reimbursed McMillin for eligible costs as they are billed, therefore, this agreement is not treated as a loan, and instead expenditures are recognized as payments are made to McMillin.

On March 30, 2004 the Agency entered into a 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, only the $900 representing the Public Improvement Component of the Agency Payment Obligation, has been recognized as a liability since the remaining $2,100 representing the Affordability Component of the Agency Payment Obligation, is subject to adjustment upon final sales of all 45 affordable units. As of the issuance of this report, there are two remaining units to be sold.

On April 4, 2004, the Agency approved a DDA with GRA, LLC, for the development and construction of a 12-story, mixed-use commercial building. The Agency was responsible for the purchase of a 5,000 square foot parcel for the proposed site. GRA LLC paid a purchase price for the acquisition parcel equal to the sum of all acquisition and relocation costs. The property was conveyed to the GRA LLC in the current fiscal year. Because the developer advances were recognized as revenue at the time the property was acquired in prior fiscal years, no additional revenue was recognized for the disposition of the property, resulting in a loss to the Agency equal to the book value of the land in the current fiscal year.

On July 21, 2003, the Agency entered into a DDA with Citymark Farenheit LLC ("Citymark"). Pursuant to the DDA, the Agency sold a property to Citymark for a purchase price of $3,500 and a contingent portion for the sale of each of the for-sale market-rate residential units developed on the property. Proceeds from the sale of the property resulted in a gain which was recognized at the time the Agency conveyed the property to Citymark. Revenue from the sale of each unit is recognized at the time the unit is sold and the revenue is received by Agency.

r. <u>Tax Increment Sharing Payments</u>

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 increments 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 expenditure 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.

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, “Other assets and liabilities used in governmental activities are not financial resources, and therefore, are not reported in the funds.” The details of this $10,270 difference are as follows:

Deferred Charges, net July 1, 2007	$	7,891
Issuance Costs		2,929
Amortization Expense		(550)
Net adjustment to increase Total Fund Balances – Governmental Funds to arrive at Total Net Assets of Governmental Activities	$	10,270

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 $(954,022) difference are as follows:

Bonds Payable	$	(577,033)
Pooled Financing Loans		(34,115)
Net Premiums and Discounts on Bond and Loan Issuances		(6,380)
Unamortized Loss on Refunding		1,103
Contracts Payable		(2,615)
Notes Payable		(13,962)
Loans Payable		(151,859)
Accreted Interest Payable on Bonds		(12,837)
Accrued Interest Payable on Long Term Debt		(11,030)
Accrued Interest Payable on City Loans and Notes		(145,294)
Net adjustment to decrease Total Fund Balances - Governmental Funds to arrive at Total Net Assets of Governmental Activities	$	(954,022)

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 $28,018 difference are as follows:

Capital outlay	$	29,072
Depreciation expense		(1,054)
Net adjustment to increase Net Changes in Fund Balances – Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	28,018

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 $90,321 difference are as follows:

Debt Issued or Incurred:		
Issuance of Tax Allocation Bonds	$	(69,000)
Less Premiums and Discounts		176
Add Loss on Refunding		531
Bond and Loan Issuance Costs		2,929
Net Accretion on Capital Appreciation Bonds		(1,822)
Pooled Financing Authority Loans Payable		(34,985)
Less Premiums and Discounts		(389)
Loans Payable		(17,186)
Principal Repayments:		
Revenue Bonds		920
Tax Allocation Bonds		23,161
Pooled Financing Authority Loans Payable		870
Loans Payable		1,581
Notes Payable		2,893
Net adjustment to decrease Net Changes in Fund Balances – Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	(90,321)

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 $(11,405) difference are as follows:

Change in Accrued Interest on Long-Term Debt	$	(326)
Change in Accrued Interest on City Note and Loans		(10,462)
Amortization of Bond Issuance Costs		(550)
Amortization of Bond Premiums, Discounts and Deferred Charges on Refunding		(67)
Net adjustment to decrease Net Changes in Fund Balances – Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	$	(11,405)

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 & Investments	$ 482,497
Cash & Investments with Fiscal Agent	72,897
Investments at Fair Value	115,296
Total	$ 670,690

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 & Investments represents petty cash, cash at the bank in demand 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. The Agency's share of the City's pooled cash and investments is included in the accompanying Statement of Net Assets under the caption "Cash or Equity in City Pooled Cash and Investments."

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 Citys 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 (6)	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 2008, the City deposited $5 million with Neighborhood National Bank to be invested as part of the Certificate of Deposit Account Registry Service (CDARS). 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.

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 20% 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	$ 482,497	$ -	$ -	$ -	$ 482,497
Non-Pooled Investments with City Treasurer:					
Repurchase Agreements	9,352	-	-	-	9,352
US Treasury Notes & Bonds	14,968	-	-	-	14,968
Commercial Paper	926	-	-	-	926
US Agency Discount Notes	90,050	-	-	-	90,050
Subtotal - Non-Pooled Investments	115,296	-	-	-	115,296
Investments with Fiscal Agent:					
US Treasury Bills	15,124	-	-	-	15,124
US Treasury Notes & Bonds	39,897	-	-	-	39,897
US Agency Notes & Bonds	2,951	-	-	-	2,951
Money Market Funds	14,907	-	-	-	14,907
Subtotal - Investments with Fiscal Agent	72,879	-	-	-	72,879
Total Investments or Cash in City Pooled Cash	$ 670,672	$ -	$ -	$ -	670,672
Cash with Fiscal Agent					18
Total Cash and Investments					$ 670,690

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, 2008, 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	$ 482,497	100.00%
Non-Pooled Investments with City Treasurer:				
Repurchase Agreements*	Not Rated	Not Rated	9,352	8.11%
US Treasury Notes & Bonds*	Exempt	Exempt	14,968	12.98%
Commercial Paper	P1	A-1+	926	0.80%
US Agencies- Federal Farm Credit Bank[1]	Aaa	AAA	5,022	4.36%
US Agencies- Federal Farm Credit Bank[1]	P1	N/A	7,141	6.19%
US Agencies- Federal Home Loan Bank[1]	Not Available	AAA	536	0.46%
US Agencies- Federal Home Loan Bank[1]	P1	N/A	5,269	4.57%
US Agencies- Federal Home Loan Mortgage Corportation[1]	P1	N/A	34,298	29.75%
US Agencies- Federal National Mortgage Association[1]	P1	N/A	37,784	32.77%
Subtotal - Non-Pooled Investments			115,296	100.00%
Investments with Fiscal Agent and Other Investments:				
US Treasury Bills	Exempt	Exempt	15,124	20.75%
US Treasury Notes & Bonds	Exempt	Exempt	39,895	54.74%
US Agencies- Federal Home Loan Bank	Aaa	N/A	2,953	4.05%
Money Market Funds	Aaa	N/A	14,907	20.45%
Subtotal - Other Investments			72,879	100.00%
Total Investments			670,672	
Cash with Fiscal Agent	Not Rated	Not Rated	18	
Total Cash and Investments			$ 670,690	

[1] More than 5% of the Agency's investments are with U.S Agencies whose debt is not guaranteed by the U.S. government, except for events subsequent to year end.

"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. As of June 30, 2008, more than 5% of the Agency's investments are with U.S. agencies whose debt is not guaranteed by the U.S. government, except for events subsequent to year end. Investments issued explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt.

4. CAPITAL ASSETS (In Thousands)

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	$ 90,647	$ 20,271	$ (11)	$ 110,907
Construction in Progress	20,115	-	(20,115)	-
Total Non-Depreciable Capital Assets	110,762	20,271	(20,126)	110,907
Depreciable Capital Assets:				
Structures and Improvements	40,816	28,916	-	69,732
Equipment	819	-	-	819
Total Depreciable Capital Assets	41,635	28,916	-	70,551
Less Accumulated Depreciation for:				
Structures and Improvements	(2,609)	(1,021)	-	(3,630)
Equipment	(690)	(33)	-	(723)
Total Accumulated Depreciation	(3,299)	(1,054)	-	(4,353)
Total Depreciable Capital Assets, Net	38,336	27,862	-	66,198
Governmental Activities Capital Assets, Net	$ 149,098	$ 48,133	$ (20,126)	$ 177,105

Depreciation expense was charged to the Neigborhood Services govermental activities function in the amount of $ 1,054.

In the current fiscal year, completion of the Balboa Theatre rehabilitation resulted in a decrease in construction in progress balances of $20,115 and a corresponding increase in Structures and Improvements for the same amount. In addition, preliminary land acquisition costs, which had been capitalized in prior years, were expensed due to the fact that the acquisition did not materialize. This contributed to a capital asset decrease of $11.

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, 2008, is as follows:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2008
Revenue Bonds:				
Centre City Parking Revenue Bonds, Series 1999 A	4.5-6.4%[1]	2026	12,105	$ 10,195
Centre City Parking Revenue Bonds, Series 2003 B	3.0-5.3[1]	2027	20,515	18,195
Total Revenue Bonds			32,620	28,390
Tax Allocation Bonds:				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	7.8-9.75[1]	2014	1,400	665
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	4.4-6.0[1]	2020	1,200	795
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	3.8-6.0[1]	2016	12,970	7,070
Centre City Redevelopment Project Tax Allocation Bonds, Series 1999 A	3.0-5.125[1]	2019	25,680	25,245
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]	2025	13,610	11,945
City Heights Redevelopment Project Tax Allocation Bonds, Series 1999 A	4.5-5.8[1]	2029	5,690	5,200
City Heights Redevelopment Project Tax Allocation Bonds, Series 1999 B	5.75-6.4[2]	2029	10,141	9,318
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	4.0-5.6[1]	2025	6,100	4,995
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	3.95-5.35[1]	2025	21,390	18,705
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	4.25-5.875[1]	2022	15,025	13,715
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	4.25-5.875[1]	2031	13,000	11,450
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	4.1-5.9[1]	2031	7,000	6,170
Centre City Redevelopment Project Tax Allocation Bonds, Series 2001 A	4.93-5.55[3]	2027	58,425	56,270
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	15,320
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	485

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2008
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	4,410
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	3.49-7.74[1]	2022	8,000	6,875
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	1.5-6.125[1]	2028	7,145	6,240
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	95,575
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2.26-4.58[1]	2011	9,855	4,830
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2.26-6.18[1]	2030	27,785	25,790
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2.26-6.28[1]	2030	8,905	8,275
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	4.25-5.25[1]	2033	76,225	75,725
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	5.66-6.2[1]	2032	33,760	33,520
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	5.604-6.3[1]	2021	69,000	69,000
Total Tax Allocation Bonds			623,726	548,643
Total Bonds Payable			656,346	577,033
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	-	900	900
Total Contracts Payable			2,615	2,615
Notes Payable:				
Price Charities, dated April 2001	5.0	2032	5,115	3,382
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			19,003	13,962
Pooled Financing Authority Loans Payable:				
Central Imperial Redevelopment Project Loan Payable dated June, 2007	4-6.65	2038	14,865	14,695
Mount Hope Redevelopment Project Loan Payable dated June, 2007	5.95-6.37	2021	3,110	2,935
Southcrest Redevelopment Project Loan Payable dated June, 2007	4-6.65	2033	17,010	16,485
Total Pooled Financing Authority Loans Payable			34,985	34,115

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2008
Loans Payable:				
International Gateway Associates, LLC dated October 2001	10.0	2032	1,876	1,806
PCCP/Las America, LLC, dated August 2005	10.0	2036	1,247	1,231
Centerpoint, LLC, dated April 2006	7.0	2021	5,245	5,245
Line of Credit from Bank of America[5] dated October 2006	4.25-6.57	2009	8,530	8,530
Line of Credit from San Diego National Bank[6] dated July 2007	3.57-6.42	2011	16,063	16,063
City of San Diego dated various dates	Variable[7]	-	118,984	118,984
Total Loans Payable			151,945	151,859
Accrued Interest Payable:				
City Note[8]		-		5,047
City Loans[8]		-		140,247
Total Accrued Interest Payable				145,294
Total Governmental Activities			$ 864,893	$ 924,878

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, 2008 does not include accreted interest of $6,942.

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, 2008 does not include accreted interest of $5,895.

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, 2008 is 5.25 percent (also see page 69, Note 10 - 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 3.80 percent and the taxable portion has an effective interest rate of 5.85 percent as of June 30, 2008 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.

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, 2007 was 8.25 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, 2008, including interest payments to maturity, are as follows:

Year Ending June 30, 2008	Revenue Bonds Principal	Revenue Bonds Interest	Tax Allocation Bonds Principal	Tax Allocation Bonds Unaccreted Appreciation	Tax Allocation Bonds Interest	Pooled Financing Authority Loans Principal	Pooled Financing Authority Loans Interest
2009	$ 960	$ 1,505	$ 14,096	$ 2,081	$ 26,339	$ 655	$ 1,917
2010	995	1,463	19,054	2,163	26,620	680	1,883
2011	1,040	1,418	18,868	2,243	25,727	770	1,846
2012	1,085	1,369	19,744	2,317	24,749	825	1,805
2013	1,135	1,315	22,943	2,388	23,612	860	1,762
2014 - 2018	6,625	5,609	137,767	12,144	97,828	5,005	8,089
2019 - 2023	8,650	3,508	141,311	9,837	59,644	5,745	6,576
2024 - 2028	7,900	831	89,741	3,474	28,220	6,495	4,864
2029 - 2033	-	-	83,464	20	7,029	8,650	2,644
2034 - 2038	-	-	1,655	-	44	4,430	684
Total	28,390	17,018	548,643	36,667	319,812	34,115	32,070
Add: Accreted appreciation through June 30, 2008			12,837				
Total	$ 28,390	$ 17,018	$ 561,480	$ 36,667	$ 319,812	$ 34,115	$ 32,070

Year Ending June 30, 2008	Contracts Payable Principal	Contracts Payable Interest	Notes Payable Principal	Notes Payable Interest	Loans Payable Principal	Loans Payable Interest
2009	$ -	$ -	$ -	$ -	$ 8,558	$ 1,420
2010	-	-	-	-	30	1,300
2011	-	-	-	-	16,096	305
2012	-	-	-	-	37	295
2013	-	-	-	-	40	291
2014 - 2018	-	-	-	-	271	1,386
2019 - 2023	-	-	-	-	436	1,220
2024 - 2028	-	-	-	-	702	954
2029 - 2033	-	-	-	-	1,131	525
2034 - 2038	-	-	-	-	329	68
Unscheduled*	2,615	1,868	13,962	7,547	124,229	140,247
Total	$ 2,615	$ 1,868	$ 13,962	$ 7,547	$ 151,859	$ 148,011

*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 $900, notes payable to the Price Charities in the amount of $5,662, note payable to the City in the amount of $8,300, loan payable to Centerpoint, LLC in the amount of $5,245, loans payable to the City in the amount of $118,984 and accrued interest associated with Contracts, Loans and Notes of $149,662 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, 2008. 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, 2007	Additions	Reductions	Balance, June 30, 2008	Due Within One Year
Revenue Bonds	$ 29,310	$ -	$ (920)	$ 28,390	$ 960
Less deferred amounts:					
For Issuance Discounts	(100)	-	7	(93)	-
Net Revenue Bonds	29,210	-	(913)	28,297	960
Tax Allocation Bonds	502,804	69,000	(23,161)	548,643	14,096
Accretion	11,015	1,996	(174)	12,837	-
Net with Accretion	513,819	70,996	(23,335)	561,480	14,096
Less/Plus deferred amounts:					
For Issuance Premiums/Discounts	6,527	(176)	(253)	6,098	-
On Refunding	(899)	(531)	327	(1,103)	-
Net Tax Allocation Bonds	519,447	70,289	(23,261)	566,475	14,096
Pooled Financing Authority Loans	-	34,985	(870)	34,115	655
Less/Plus deferred amounts:					
For Issuance Premiums/Discounts	-	389	(14)	375	-
Net Pooled Financing Authority Loans	-	35,374	(884)	34,490	655
Contracts Payable	2,615		-	2,615	-
Notes Payable	16,855	-	(2,893)	13,962	-
Loans Payable	136,254	17,186	(1,581)	151,859	8,558
Interest Accrued on City Note and Loans	134,832	12,895	(2,433)	145,294	-
Total	$ 839,213	$ 135,744	$ (31,965)	$ 942,992	$ 24,269

In the current fiscal year, the Agency issued tax allocation bonds totaling $69,000 for low and moderate income housing activities in the Centre City Project Area. In addition, the Agency received loan proceeds from a City pooled financing authority bond issuance totaling $34,985. Approximately $9,576 of these proceeds were used to refund bonds issued in prior years. The balance will be used for affordable housing and redevelopment activities in the Central Imperial, Mount Hope and Southcrest project areas. The Agency received $17,186 in loan proceeds in the current fiscal year, $1,123 from the City and $16,063 from various lines of credit for activities in the City Heights, Naval Training Center, North Bay and North Park project areas. In addition, accrued interest on outstanding City loans and notes increased by $11,906 and $989, respectively. These increases were offset by interest payments of $2,433.

d. Defeasance and Redemption of Debt

The Public Facilities Financing Authority (PFFA) issued Pooled Financing Bonds, Series 2007 A in the amount of $17,230 and Series B in the amount of $17,755. The bond proceeds were used to make loans to the Agency for the purpose of refunding outstanding Southcrest 1995, Mount Hope 1995 B, Southcrest 2000, and Central Imperial 2000 Bonds. The current refunding of the Southcrest 1995 bonds resulted in a total economic gain of approximately $186 and a cash flow savings of approximately $235. The current refunding of the Mount Hope 1995 B bonds resulted in a total economic gain of approximately $262 and a cash flow savings of approximately $381. These refunded bonds were fully redeemed at a call date prior to the end of the fiscal year, and accordingly, there was no balance outstanding as of June 30, 2008. The Southcrest 2000 and Central Imperial 2000 bonds were advance refunded and resulted in an economic gain of approximately $95 and cash flow savings of approximately $143, and an economic gain of approximately $242, and a cash flow savings of approximately $400, respectively. The balance of these defeased bonds are listed below.

As of June 30, 2008, principal amounts payable from escrow funds established for defeased bonds are as follows:

Defeased Bonds	Amount
Central Imperial Redevelopment Project Tax Allocation Bonds, Series 2000	$ 3,040
Southcrest Redevelopment Project Tax Allocation Bonds, Series 2000	1,570
Total Defeased Bonds Outstanding	$ 4,610

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 financial reporting addressed by this Statement is whether that transaction should be regarded as a sale or as a collateralized borrowing resulting in a liability. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. 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, 2008 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	$ 17,022	$ 955	$ 966
Centre City Parking Revenue Bonds, Series 2003 B	2027	28,387	1,508	1,450
Total Pledged Net Operating Revenue (Parking)		45,409	2,463	2,416
Pledged Tax Increment Revenue:				
Bonds				
Gateway Center West Redevelopment Project Tax Allocation Bonds, Series 1995	2014	$ 877	$ 148	$ 180
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 1995 A	2020	1,108	93	90
Horton Plaza Redevelopment Project Tax Allocation Refunding Bonds, Series 1996 A	2016	8,894	1,120	1,091
Centre City Redevelopment Tax Allocation Bonds, Series 1999 A	2019	34,263	1,273	1,214
Centre City Redevelopment Tax Allocation Bonds, Series 1999 B	2014	13,864	710	676
Centre City Redevelopment Tax Allocation Bonds, Series 1999 C	2025	17,973	799	768
City Heights Redevelopment Tax Allocation Bonds, Series 1999 A	2029	8,928	427	420
City Heights Redevelopment Tax Allocation Bonds, Series 1999 B	2029	31,702	460	429
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 A	2025	7,660	448	405
Centre City Redevelopment Project Tax Allocation Bonds, Series 2000 B	2025	28,834	1,455	1,394
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2000	2022	20,159	1,351	1,319
North Bay Redevelopment Project Tax Allocation Bonds, Series 2000	2031	20,697	895	835
North Park Redevelopment Project Tax Allocation Bonds, Series 2000	2031	11,156	480	448
Centre City Redevelopment Tax Allocation Bonds, Series 2001 A	2027	111,729	2,568	2,458
Mount Hope Redevelopment Project Tax Allocation Bonds, Series 2002 A	2027	5,508	153	153
Centre City Redevelopment Project Tax Allocation Bonds, Series 2003 A	2029	25,078	3,973	3,713
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 A	2034	10,687	316	316
City Heights Redevelopment Project Tax Allocation Bonds, Series 2003 B	2014	544	89	88
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 A	2028	10,522	544	524

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
North Park Redevelopment Project Tax Allocation Bonds, Series 2003 B	2034	$ 11,448	$ 259	$ 240
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 A	2022	9,797	310	271
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 B	2022	6,463	341	287
Horton Plaza Redevelopment Project Tax Allocation Bonds, Series 2003 C	2022	11,050	802	700
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 A	2030	152,941	6,855	6,245
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 B	2011	5,120	1,972	1,879
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 C	2030	44,121	2,233	2,246
Centre City Redevelopment Project Tax Allocation Bonds, Series 2004 D	2030	14,294	722	726
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 A	2033	129,832	4,181	4,712
Centre City Redevelopment Project Tax Allocation Bonds, Series 2006 B	2032	64,034	2,266	2,855
Centre City Redevelopment Project Tax Allocation Bonds, Series 2008 A	2021	98,677	-	-
Pooled Financing Authority Loans				
Central Imperial Redevelopment Project Loan Payable dated June, 2007	2038	30,945	772	772
Mount Hope Redevelopment Project Loan Payable dated June, 2007	2021	4,224	305	305
Southcrest Redevelopment Project Loan Payable dated June, 2007	2033	31,016	1,194	1,194
Contracts				
Contract Payable to SDSU Foundation, dated December1991	---	3,035	356	356
Amendment to Contract Payable to SDSU Foundation, dated January1995	---	222	26	26
Contract Payable to Western Pacific Housing, Inc., dated April 2004	---	1,226	-	-
Notes				
Note Payable to Price Charities, dated April 2001	2032	5,882	927	927
Note Payable to Price Charities, dated May 2005	2025	2,100	-	-
Amendment to Note Payable to Price Charities, dated February 2006	2025	180	-	-

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Received
Loans				
International Gateway Associates, LLC, dated October 2001	2032	4,975	199	199
PCCP/SB Las America, LLC, dated August 2005	2036	3,703	132	132
Centerpoint, LLC, dated April 2006	2021	5,246	-	-
Bank of America, N.A. Line of Credit, dated October 2006	2009	8,648	381	381
San Diego National Bank, Line of Credit, dated July 2007 City Heights Housing Area	2011	1,489	64	64
San Diego National Bank, Line of Credit, dated July 2007 City Heights Non-Housing Area	2011	2,428	196	196
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Housing Area	2011	61	30	30
San Diego National Bank, Line of Credit, dated July 2007 Naval Training Center Non-Housing Area	2011	7,587	344	344
San Diego National Bank, Line of Credit, dated July 2007 North Bay Housing Area	2011	2,499	67	67
San Diego National Bank, Line of Credit, dated July 2007 North Park Non-Housing Area	2011	4,011	68	68
Naval Training Center Civic, Arts, and Cultural Center (Section 108)[1]	2025	8,571	510	510
Total Pledged Tax Increment Revenue		1,046,008	42,814	42,253
Total Pledged Revenue		$ 1,091,417	$ 45,277	$ 44,669

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, 2008 are as follows:

	Benefiting Fund (TransferIn)				
Contributing Fund (Transfer Out)	Special Revenue Centre City Low/Mod	Centre City Debt Service	Centre City Capital Projects	Other Governmental Funds	Total Governmental Funds
Centre City Special Revenue Low-Mod	$ -	$ 5,827	$ -	$ -	$ 5,827
Centre City Debt Service	133	-	9,236	13,819	23,188
Other Governmental Funds	-	122,975	-	63,135	186,110
Total Governmental Funds	$ 133	$ 128,802	$ 9,236	$ 76,954	$ 215,125

7. FUND DEFICIT (In Thousands)

The following table identifies funds with a net deficit as of June 30, 2008:

Fund	Net Deficit
College Community Capital Projects	$ (369)
College Grove Capital Projects	(75)
Grantville Capital Projects	(108)

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.

8. RELATED PARTY TRANSACTIONS (In Thousands)

During the year ended June 30, 2008 the Agency received loans from the City totaling $1,123 to fund redevelopment activity in the following project areas:

Project Area	Amount
Barrio Logan	$ 675
Naval Training Center	448
	$ 1,123

In addition, during the year ended June 30, 2008 the Agency received contributions from the City totaling $14,290. All of the contributions received were for activities in the Centre City Project Area. Of the total, approximately $8,660 was associated with reimbursements of costs by the City, from Development Impact Fees, for eligible park and fire projects in the project area. In addition, approximately $5,479 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.

During the year ended June 30, 2008, the Agency's participation in various City Capital Improvement Projects totaled $3,019. In addition, the Agency contributed approximately $1,185 for debt service associated with a section 108 loans incurred by the City on behalf of the Agency.

The redevelopment project areas are overseen by the Redevelopment Division of the City's City Planning and Community Investment Department and two independent corporations, Centre City Development Corporation ("CCDC") and Southeastern Economic Development Corporation, ("SEDC") and the Redevelopment Division. 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.

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	$ 7,675
Southeastern Economic Development Corporation	2,074
City Redevelopment Division	3,192
Total	$ 12,941

9. 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 2007 was completed by Macias Gini & O'Connell LLP and is currently in the process of being received and filed by the City Council. The Single Audit for fiscal year 2008 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. 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 2008, 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.

McColl v. Redevelopment Agency of the City of San Diego

This was an eminent domain action where the Agency acquired property within the City Heights Redevelopment Project Area occupied by a Jack in the Box restaurant owned by Ms. McColl. Settlement has been reach with the McColls regarding the cost of the property. Other claims by Jack in the Box were not included in this settlement, including claims for loss of goodwill, relocation benefits and the cost of fixtures and equipment. Jack in the Box and the Agency have reach agreement on a new location but the goodwill, relocation benefits and cost of fixtures and equipment remain. In the event of an adverse ruling the liability of the Agency is estimated to be in the range of $0 to $3,000.

10. SUBSEQUENT EVENTS (In Thousands)

On July 23, 2008, the Southeastern Economic Development Corporation (SEDC) Board unanimously decided to invoke the 90-day notice clause in the SEDC President's employment contract. This action effectively terminated her contract as the President of SEDC. The Board also approved a contractual payment of $100 (severance payment) at the same time. In September, an audit report was publicly released that documented suspected incidences of fraudulent activity related to, among other things, executive compensation. On February 25, 2009, the SEDC Board rescinded the July 23rd decision on severance pay.

On July 24, 2008, the President of the Centre City Development Corporation (CCDC) resigned. During the months preceding and also subsequent to the resignation, allegations of misconduct stemming from potential violations of City and State of California conflict of interest laws became public. CCDC has since suspended activity on the projects associated with the alleged conflict of interest violations. Depending on the extent to which the counterparty was aware of conflicts of interest, CCDC could potentially be subject to litigation arising from construction delays or project cancellations. The full nature and extent of the misconduct along with the extent of any possible liability to the City or CCDC is currently unknown. On January 21, 2009, the United States District Court issued a subpoena to CCDC requesting any and all records relating to the President's employment with CCDC and projects she was involved with. Additionally, on April 20, 2009 a developer filed a claim against CCDC, the Agency, and the City in the amount of $2 million relating to the cancellation of a project.

On August 25, 2008, 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. 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.

On September 5, 2008, San Diego State University Foundation (Foundation) filed suit against the Agency alleging that they were in breach of contract because they did not sell certain properties to the Foundation. In the event of an adverse ruling, the liability facing the Agency is estimated to be in the range of $0 - $5,000.

On September 22, 2008 the State passed its fiscal year 2008-2009 budget. This budget included a one-year, one-time ERAF shift of $350,000 from all California redevelopment agencies. ERAF is the Educational Revenue Anticipation Fund which is used by the County to accumulate property tax amounts shifted from local governments back to the State. These funds will not be repaid. The negative impact to the City of San Diego Redevelopment Agency is projected to be $11,457. On May 7, 2009, a Judgment was issued in the pending litigation action filed in the Superior Court of California for Sacramento County titled "California Redevelopment Association et al v. Genest et al, Case No. 34-2008-00028334-CU-WM-GDS, whereby the Court states that California Health and Safety Code Sections 33685 through 33689, which imposes the ERAF payment, are invalid and unenforceable, and further enjoins the defendants, including the County auditors, from taking any actions to carry out or enforce the payment requirements set forth in Sections 33685 through 33689. In light of the Judgment, it is anticipated that the State will appeal the Judgment and/or attempt to revise the Cal. Health and Safety Code to remedy the unconstitutional nature of the statutes.

On November 1, 2008 the Redevelopment Agency (RDA) amended the Credit agreement with Bank of America, N.A. to reduce the available Line of Credit from $10,000 to $8,530, which is comprised of a tax-exempt commitment of $7,534 and a taxable commitment of $996. The amendment also extended the expiration date of the borrowing from November 1, 2008 to July 31, 2009 and no prepayments of the Line of Credit are permitted.

The City engaged an audit firm in December 2008 to complete a performance audit of CCDC; this audit is expected to be completed in June, 2009. The audit will include a review of the efficiency and effectiveness of CCDC's operations, whether the goals and objectives of the organization are being met as well as assessing other core competencies.

Required Supplementary Information

CENTRE CITY LOW AND MODERATE INCOME HOUSING
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
Year Ended June 30, 2008
(In Thousands)

	Prior Year Budget	Current Year Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES					
Tax Increments	$ -	$ 18,771	$ 18,771	$ 23,394	$ 4,623
Bond Proceeds	-	53,202	53,202	60,339	7,137
Interest/Rent/Other	-	2,214	2,214	4,316	2,102
Developer Proceeds	-	-	-	76	76
City Participation	-	-	-	151	151
Other Revenue	-	-	-	3,828	3,828
Total Current Year Revenues	-	74,187	74,187	92,104	17,917
Prior Year Revenue	49,558	4,343	53,901		
TOTAL REVENUES	49,558	78,530	128,088	92,104	17,917
EXPENDITURES					
Low Mod Expenditures	49,558	78,530	128,088	92,824	35,264
TOTAL EXPENDITURES	49,558	78,530	128,088	92,824	35,264
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ -	$ -	$ -	$ (720)	$ (17,347)

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. This budget includes annual budgets for many of the Debt Service funds, all Capital Projects funds, and the Low and Moderate Income Housing 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 total fund appropriation 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 Schedule presented in this report reflects the total appropriations available for current fiscal year expenditures in the Centre City Low and Moderate Income Housing fund. 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 Comptroller's Office for all redevelopment agencies in the State. The Budgetary Comparison Schedule reflects total expenditures for the fund and does 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
Revenues	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	$ 92,104
Adjustments:	
Proceeds from the sale of bonds that are included in the budgetary basis of accounting	(60,339)
Principal payments on notes receivable are included in the budgetary basis of accounting	(76)
Total revenues on a GAAP Basis of accounting	$ 31,689
Expenditures	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	$ 92,824
Adjustments:	
Encumbrances are included in the budgetary basis of accounting	(64,341)
Losses related to net realizable value of property held for resale are not included in the budgetary basis of accounting	7,545
Additions to property held for resale are included in the budgetary basis of accounting	(5,275)
Expenditures for notes receivable are included in the budgetary basis of accounting	(20,442)
Total expenditures on a GAAP Basis of accounting	$ 10,311

Non-Major Governmental Funds

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2008
(In Thousands)

	Other Governmental Funds				Total
	Special Revenue		Debt	Capital	Non-Major Governmental
	Low/Mod	Other	Service	Projects	Funds
ASSETS					
Cash or Equity in Pooled Cash and Investments	$ 26,476	$ 12,118	$ 45,801	$ 24,445	$ 108,840
Cash and Investments with Fiscal Agent	-	-	15,971	-	15,971
Investments at Fair Value	1,702	-	-	7,649	9,351
Receivables:					
Taxes	347	301	1,081	-	1,729
Notes and Contracts	27,912	-	-	3,882	31,794
Interest	174	74	358	149	755
Working Capital Advances:					
Centre City Development Corporation	-	-	-	275	275
Southeastern Economic Development Corporation	-	-	-	295	295
Gen Working Cap/City of San Diego	-	-	-	623	623
Land Held for Resale	1,804	-	-	5,491	7,295
TOTAL ASSETS	$ 58,415	$ 12,493	$ 63,211	$ 42,809	$ 176,928
LIABILITIES					
Accounts Payable	$ 19	$ 1,104	$ -	$ 2,922	$ 4,045
Trust Liability	-	411	-	369	780
TOTAL LIABILITIES	19	1,515	-	3,291	4,825
FUND BALANCES					
Fund Balances:					
Reserved for Land Held for Resale	1,804	-	-	5,491	7,295
Reserved for Notes Receivable	27,912	-	-	3,882	31,794
Reserved for Encumbrances	14,981	-	1,293	19,763	36,037
Reserved for Working Capital Advances	-	-	-	1,193	1,193
Reserved for Low and Moderate Income Housing	13,699	-	-	-	13,699
Reserved for Debt Service	-	-	15,997	-	15,997
Unreserved:					
Reported in Special Revenue Funds:					
Designated for Unrealized Gain	-	64	-	-	64
Designated for Subsequent Years' Expenditures	-	9,072	-	-	9,072
Undesignated	-	1,842	-	-	1,842
Reported in Debt Service Funds:					
Designated for Unrealized Gain	-	-	9	-	9
Designated for Debt Service	-	-	44,905	-	44,905
Designated for Subsequent Years' Expenditures	-	-	972	-	972
Undesignated	-	-	35	-	35
Reported in Capital Projects Funds:					
Designated for Unrealized Gain	-	-	-	124	124
Designated for Subsequent Years' Expenditures	-	-	-	17,366	17,366
Undesignated	-	-	-	(8,301)	(8,301)
TOTAL FUND BALANCES	58,396	10,978	63,211	39,518	172,103
TOTAL LIABILITIES AND FUND BALANCES	$ 58,415	$ 12,493	$ 63,211	$ 42,809	$ 176,928

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008
(In Thousands)

	Other Governmental Funds				Total Non-Major Governmental Funds
	Special Revenue		Debt Service	Capital Projects	
	Low/Mod	Other			
REVENUES					
Tax Increments	$ 12,078	$ 10,603	$ 37,701	$ -	$ 60,382
Interest	1,370	601	2,995	1,724	6,690
Rents	-	-	-	304	304
Private Sources	-	-	-	2,376	2,376
City Participation	-	2,416	-	-	2,416
Other Revenue	5	-	-	614	619
TOTAL REVENUES	$ 13,453	$ 13,620	$ 40,696	$ 5,018	$ 72,787
EXPENDITURES					
Administration	468	25	350	6,891	7,734
Legal	59	-	-	839	898
Plans and Surveys	112	-	-	903	1,015
Acquisition Expense	-	-	-	149	149
Real Estate/Fixture Purchases	-	-	-	247	247
Property Management	14	-	-	650	664
Relocation	-	-	-	87	87
Rehabilitation	367	-	-	6,750	7,117
Project Improvements	34	-	-	7,899	7,933
Promotions and Marketing	-	-	-	3	3
Bond Sale Expense	4	-	1,055	13	1,072
Program Management	6	-	-	619	625
Rehabilitation Loans	213	-	-	-	213
Housing Subsidies	516	-	-	-	516
Tax Sharing Payments	-	23,625	107	-	23,732
City Projects	202	-	4	4,266	4,472
Other	-	-	-	6	6
Debt Service:					
Principal	-	-	8,186	-	8,186
Interest	-	-	10,237	-	10,237
Advance Refunding Escrow	-	-	1,100	-	1,100
TOTAL EXPENDITURES	1,995	23,650	21,039	29,322	76,006
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,458	(10,030)	19,657	(24,304)	(3,219)
OTHER FINANCING SOURCES (USES)					
Transfers from Tax Increments	59	14,200	36,831	18,292	69,382
Transfers from Other Funds	-	-	6,109	288	6,397
Transfers from Bond Proceeds	50	-	1,125	-	1,175
Transfers to Other Funds	(3,126)	(160,078)	(18,747)	(4,159)	(186,110)
Transfers to Escrow Agent	-	-	(9,576)	-	(9,576)
Proceeds from Developer Loans and Notes	11,521	-	13,619	25,908	51,048
Loans from the City of San Diego	-	-	-	1,123	1,123
Premium on Bonds Issued	78	-	-	311	389
TOTAL OTHER FINANCING SOURCES (USES)	8,582	(145,878)	29,361	41,763	(66,172)
NET CHANGE IN FUND BALANCES	20,040	(155,908)	49,018	17,459	(69,391)
FUND BALANCES AT JUNE 30, 2007	38,356	166,886	14,193	22,059	241,494
FUND BALANCES AT JUNE 30, 2008	$ 58,396	$ 10,978	$ 63,211	$ 39,518	$ 172,103

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

	Barrio Logan		Central Imperial	
	Low-Mod	Other	Low-Mod	Other
ASSETS				
Cash or Equity in Pooled Cash and Investments	$ 240	$ 71	$ 1,160	$ -
Investments at Fair Value	-	-	937	-
Receivables:				
Taxes	5	2	13	-
Notes and Contracts	-	-	-	-
Interest	1	1	9	-
Land Held for Resale	-	-	695	-
TOTAL ASSETS	$ 246	$ 74	$ 2,814	$ -
LIABILITIES				
Accounts Payable	$ -	$ -	$ 2	$ -
Trust Liability	-	-	-	-
TOTAL LIABILITIES	-	-	2	-
FUND BALANCES				
Fund Balances:				
Reserved for Land Held for Resale	-	-	695	-
Reserved for Notes Receivable	-	-	-	-
Reserved for Encumbrances	-	-	31	-
Reserved for Low and Moderate Income Housing	246	-	2,086	-
Unreserved:				
Reported in Special Revenue Funds:				
Designated for Unrealized Gain	-	-	-	-
Designated for Subsequent Years' Expenditures	-	22	-	-
Undesignated	-	52	-	-
TOTAL FUND BALANCES	246	74	2,812	-
TOTAL LIABILITIES AND FUND BALANCES	$ 246	$ 74	$ 2,814	$ -

Centre City	City Heights		College Community		College Grove	
Other	Low-Mod	Other	Low-Mod	Other	Low-Mod	Other
$ 1,227	$ 2,527	$ 4,730	$ 691	$ 142	$ 402	$ 172
-	-	-	-	-	-	-
-	80	130	7	4	4	3
-	5,638	-	-	-	-	-
4	16	31	4	1	3	1
-	-	-	-	-	-	-
$ 1,231	$ 8,261	$ 4,891	$ 702	$ 147	$ 409	$ 176
$ 760	$ -	$ -	$ -	$ -	$ -	$ -
411	-	-	-	-	-	-
1,171	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,638	-	-	-	-	-
-	1,020	-	-	-	-	-
-	1,603	-	702	-	409	-
3	-	28	-	1	-	1
-	-	4,245	-	110	-	141
57	-	618	-	36	-	34
60	8,261	4,891	702	147	409	176
$ 1,231	$ 8,261	$ 4,891	$ 702	$ 147	$ 409	$ 176

Continued on next page

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

	Crossroads		Gateway Center West	
	Low-Mod	Other	Low-Mod	Other
ASSETS				
Cash or Equity in Pooled Cash and Investments	$ 1,915	$ 745	$ 117	$ -
Investments at Fair Value	-	-	-	-
Receivables:				
Taxes	24	24	1	-
Notes and Contracts	-	-	-	-
Interest	12	5	1	-
Land Held for Resale	-	-	-	-
TOTAL ASSETS	$ 1,951	$ 774	$ 119	$ -
LIABILITIES				
Accounts Payable	$ -	$ -	$ -	$ -
Trust Liability	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Fund Balances:				
Reserved for Land Held for Resale	-	-	-	-
Reserved for Notes Receivable	-	-	-	-
Reserved for Encumbrances	-	-	-	-
Reserved for Low and Moderate Income Housing	1,951	-	119	-
Unreserved:				
Reported in Special Revenue Funds:				
Designated for Unrealized Gain	-	4	-	-
Designated for Subsequent Years' Expenditures	-	726	-	-
Undesignated	-	44	-	-
TOTAL FUND BALANCES	1,951	774	119	-
TOTAL LIABILITIES AND FUND BALANCES	$ 1,951	$ 774	$ 119	$ -

Horton Plaza		Linda Vista		Mount Hope	
Low-Mod	Other	Low-Mod	Other	Low-Mod	Other
$ 3,674	$ -	$ 19	$ -	$ 951	$ 195
-	-	-	-	-	-
46	-	-	-	9	-
14,174	-	-	-	150	-
24	-	-	-	6	-
1,087	-	-	-	-	-
$ 19,005	$ -	$ 19	$ -	$ 1,116	$ 195
$ 7	$ -	$ -	$ -	$ 10	$ 195
-	-	-	-	-	-
7	-	-	-	10	195
1,087	-	-	-	-	-
14,174	-	-	-	150	-
710	-	-	-	15	-
3,027	-	19	-	941	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18,998	-	19	-	1,106	-
$ 19,005	$ -	$ 19	$ -	$ 1,116	$ 195

Continued on next page

COMBINING BALANCE SHEET
NON-MAJOR 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	$ 2,080	$ 701	$ 5,021	$ 1,610
Investments at Fair Value	-	-	-	-
Receivables:				
Taxes	14	14	39	39
Notes and Contracts	-	-	2,255	-
Interest	14	5	35	11
Land Held for Resale	-	-	-	-
TOTAL ASSETS	$ 2,108	$ 720	$ 7,350	$ 1,660
LIABILITIES				
Accounts Payable	$ -	$ -	$ -	$ -
Trust Liability	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Fund Balances:				
Reserved for Land Held for Resale	-	-	-	-
Reserved for Notes Receivable	-	-	2,255	-
Reserved for Encumbrances	2,108	-	5,095	-
Reserved for Low and Moderate Income Housing	-	-	-	-
Unreserved:				
Reported in Special Revenue Funds:				
Designated for Unrealized Gain	-	4	-	9
Designated for Subsequent Years' Expenditures	-	716	-	1,147
Undesignated	-	-	-	504
TOTAL FUND BALANCES	2,108	720	7,350	1,660
TOTAL LIABILITIES AND FUND BALANCES	$ 2,108	$ 720	$ 7,350	$ 1,660

North Park		San Ysidro		Southcrest		Total	
Low-Mod	Other	Low-Mod	Other	Low-Mod	Other	Low-Mod	Other
$ 3,721	$ 1,582	$ 2,316	$ 794	$ 1,642	$ 149	$ 26,476	$ 12,118
-	-	-	-	765	-	1,702	-
46	46	39	39	20	-	347	301
4,895	-	-	-	800	-	27,912	-
22	10	16	5	11	-	174	74
-	-	-	-	22	-	1,804	-
$ 8,684	$ 1,638	$ 2,371	$ 838	$ 3,260	$ 149	$ 58,415	$ 12,493
$ -	$ -	$ -	$ -	$ -	$ 149	$ 19	$ 1,104
-	-	-	-	-	-	-	411
-	-	-	-	-	149	19	1,515
-	-	-	-	22	-	1,804	-
4,895	-	-	-	800	-	27,912	-
3,135	-	1,970	-	897	-	14,981	-
654	-	401	-	1,541	-	13,699	-
-	9	-	5	-	-	-	64
-	1,242	-	723	-	-	-	9,072
-	387	-	110	-	-	-	1,842
8,684	1,638	2,371	838	3,260	-	58,396	10,978
$ 8,684	$ 1,638	$ 2,371	$ 838	$ 3,260	$ 149	$ 58,415	$ 12,493

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year Ended June 30, 2008
(In Thousands)

	Barrio Logan		Central Imperial	
	Low-Mod	Other	Low-Mod	Other
REVENUES				
Tax Increments	$ 136	$ 68	$ 450	$ -
Interest	10	4	117	1
City Participation	-	-	-	-
Other Revenue	-	-	-	-
TOTAL REVENUES	146	72	567	1
EXPENDITURES				
Administration	6	-	35	-
Legal	-	-	41	-
Plans and Surveys	-	-	65	-
Real Estate/Fixture Purchases	-	-	-	-
Property Management	-	-	6	-
Rehabilitation	-	-	-	-
Project Improvements	-	-	-	-
Bond Sale Expense	-	-	2	-
Program Management	-	-	2	-
Rehabilitation Loans	-	-	-	-
Housing Subsidies	-	-	-	-
Tax Sharing Payments	-	49	-	37
City Projects	-	-	-	-
TOTAL EXPENDITURES	6	49	151	37
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	140	23	416	(36)
OTHER FINANCING SOURCES (USES)				
Transfers from Tax Increments	6	-	5	37
Transfers from Bond Proceeds	-	-	6	-
Transfers to Other Funds	(4)	(152)	(154)	(1,156)
Proceeds from Developer Loans and Notes	-	-	2,026	-
Premium on Bonds Issued	-	-	39	-
TOTAL OTHER FINANCING SOURCES (USES)	2	(152)	1,922	(1,119)
NET CHANGE IN FUND BALANCES	142	(129)	2,338	(1,155)
FUND BALANCES AT JUNE 30, 2007	104	203	474	1,155
FUND BALANCES AT JUNE 30, 2008	$ 246	$ 74	$ 2,812	$ -

Centre City	City Heights		College Community		College Grove	
Other	Low-Mod	Other	Low-Mod	Other	Low-Mod	Other
$ -	$ 2,858	$ 4,644	$ 232	$ 145	$ 144	$ 65
56	107	242	31	5	18	9
2,416	-	-	-	-	-	-
-	5	-	-	-	-	-
2,472	2,970	4,886	263	150	162	74
25	103	-	7	-	6	-
-	2	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	300	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	272	-	-	-	-	-
13,794	-	4,248	-	90	-	99
-	-	-	-	-	-	-
13,819	677	4,248	7	90	6	99
-						
(11,347)	2,293	638	256	60	156	(25)
13,819	15	-	2	-	2	-
-	-	-	-	-	-	-
(122,975)	(1,372)	(5,935)	-	(56)	-	(501)
-	1,298	-	-	-	-	-
-	-	-	-	-	-	-
(109,156)	(59)	(5,935)	2	(56)	2	(501)
(120,503)	2,234	(5,297)	258	4	158	(526)
120,563	6,027	10,188	444	143	251	702
$ 60	$ 8,261	$ 4,891	$ 702	$ 147	$ 409	$ 176

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year Ended June 30, 2008
(In Thousands)

	Crossroads		Gateway Center West	
	Low-Mod	Other	Low-Mod	Other
REVENUES				
Tax Increments	$ 855	$ 855	$ 67	$ -
Interest	90	39	5	-
City Participation	-	-	-	-
Other Revenue	-	-	-	-
TOTAL REVENUES	945	894	72	-
EXPENDITURES				
Administration	16	-	1	-
Legal	-	-	-	-
Plans and Surveys	-	-	-	-
Real Estate/Fixture Purchases	-	-	-	-
Property Management	-	-	-	-
Rehabilitation	38	-	-	-
Project Improvements	-	-	-	-
Bond Sale Expense	-	-	-	-
Program Management	-	-	-	-
Rehabilitation Loans	213	-	-	-
Housing Subsidies	-	-	-	-
Tax Sharing Payments	-	758	-	-
City Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	267	758	1	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	678	136	71	-
OTHER FINANCING SOURCES (USES)				
Transfers from Tax Increments	-	-	2	-
Transfers from Bond Proceeds	-	-	-	-
Transfers to Other Funds	-	(2,477)	(36)	(358)
Proceeds from Developer Loans and Notes	-	-	-	-
Premium on Bonds Issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,477)	(34)	(358)
NET CHANGE IN FUND BALANCES	678	(2,341)	37	(358)
FUND BALANCES AT JUNE 30, 2007	1,273	3,115	82	358
FUND BALANCES AT JUNE 30, 2008	$ 1,951	$ 774	$ 119	$ -

Horton Plaza		Linda Vista		Mount Hope	
Low-Mod	Other	Low-Mod	Other	Low-Mod	Other
$ 1,680	$ -	$ 19	$ -	$ 320	$ -
193	-	2	-	47	-
-	-	-	-	-	-
-	-	-	-	-	-
1,873	-	21	-	367	-
108	-	4	-	32	-
-	-	-	-	-	-
-	-	-	-	18	-
-	-	-	-	-	-
4	-	-	-	-	-
-	-	18	-	-	-
33	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	195
202	-	-	-	-	-
347	-	22	-	51	195
		-			
1,526	-	(1)	-	316	(195)
-	-	1	-	3	195
-	-	-	-	-	-
(700)	(12,983)	-	(197)	(110)	(1,258)
-	-	-	-	-	-
-	-	-	-	-	-
(700)	(12,983)	1	(197)	(107)	(1,063)
826	(12,983)	-	(197)	209	(1,258)
18,172	12,983	19	197	897	1,258
$ 18,998	$ -	$ 19	$ -	$ 1,106	$ -

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year Ended June 30, 2008
(In Thousands)

	Naval Training Center		North Bay	
	Low-Mod	Other	Low-Mod	Other
REVENUES				
Tax Increments	$ 800	$ 800	$ 1,646	$ 1,646
Interest	95	42	248	83
City Participation	-	-	-	-
Other Revenue	-	-	-	-
TOTAL REVENUES	895	842	1,894	1,729
EXPENDITURES				
Administration	9	-	24	-
Legal	1	-	1	-
Plans and Surveys	-	-	-	-
Real Estate/Fixture Purchases	-	-	-	-
Property Management	-	-	-	-
Rehabilitation	-	-	-	-
Project Improvements	-	-	-	-
Bond Sale Expense	-	-	-	-
Program Management	-	-	-	-
Rehabilitation Loans	-	-	-	-
Housing Subsidies	-	-	244	-
Tax Sharing Payments	-	824	-	1,450
City Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	10	824	269	1,450
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	885	18	1,625	279
OTHER FINANCING SOURCES (USES)				
Transfers from Tax Increments	2	-	9	-
Transfers from Bond Proceeds	-	-	44	-
Transfers from Escrow Agent	(22)	(1,009)	(246)	(4,462)
Proceeds from Sale of Capital Assets	-	-	2,255	-
Proceeds from Developer Loans and Notes	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(20)	(1,009)	2,062	(4,462)
NET CHANGE IN FUND BALANCES	865	(991)	3,687	(4,183)
FUND BALANCES AT JUNE 30, 2007	1,243	1,711	3,663	5,843
FUND BALANCES AT JUNE 30, 2008	$ 2,108	$ 2,108	$ 7,350	$ 1,660

North Park		San Ysidro		Southcrest		Total	
Low-Mod	Other	Low-Mod	Other	Low-Mod	Other	Low-Mod	Other
$ 1,593	$ 1,593	$ 787	$ 787	$ 491	$ -	$ 12,078	$ 10,603
165	75	109	45	133	-	1,370	601
-	-	-	-	-	-	-	2,416
-	-	-	-	-	-	5	-
1,758	1,668	896	832	624	-	13,453	13,620
39	-	23	-	55	-	468	25
1	-	-	-	13	-	59	-
3	-	-	-	26	-	112	-
-	-	-	-	-	-	-	-
-	-	-	-	4	-	14	-
-	-	11	-	-	-	367	-
-	-	-	-	1	-	34	-
-	-	-	-	2	-	4	-
-	-	-	-	3	-	6	-
-	-	-	-	-	-	213	-
-	-	-	-	-	-	516	-
-	1,177	-	755	-	149	-	23,625
-	-	-	-	-	-	202	-
43	1,177	34	755	104	149	1,995	23,650
1,715	491	862	77	520	(149)	11,458	(10,030)
6	-	4	-	2	149	59	14,200
-	-	-	-	-	-	50	-
(243)	(2,418)	-	(2,807)	(239)	(1,334)	(3,126)	(160,078)
3,695	-	-	-	2,247	-	11,521	-
-	-	-	-	39	-	78	-
3,458	(2,418)	4	(2,807)	2,049	(1,185)	8,582	(145,878)
5,173	(1,927)	866	(2,730)	2,569	(1,334)	20,040	(155,908)
3,511	3,565	1,505	3,568	691	1,334	38,356	166,886
$ 8,684	$ 1,638	$ 2,371	$ 838	$ 3,260	$ -	$ 58,396	$ 10,978

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
June 30, 2008
(In Thousands)

	Barrio Logan	Central Imperial	City Heights
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 33	$ 1,397	$ 8,420
Cash and Investments with Fiscal Agent	-	1,230	1,972
Receivables:			
Taxes	16	52	190
Interest	1	10	60
TOTAL ASSETS	$ 50	$ 2,689	$ 10,642
FUND BALANCES			
Reserved for Encumbrances	-	19	-
Reserved for Debt Service	-	1,232	1,973
Unreserved:			
Reported in Debt Service Funds:			
Designated for Unrealized Gain	-	-	7
Designated for Debt Services	50	1,438	8,542
Designated for Subsequent Years' Expenditures	-	-	-
Undesignated	-	-	120
TOTAL FUND BALANCES	50	2,689	10,642
TOTAL LIABILITIES AND FUND BALANCES	$ 50	$ 2,689	$ 10,642

College Community	College Grove	Crossroads	Gateway Center West	Horton Plaza
$ 617	$ 808	$ 3,323	$ 437	$ 10,951
-	-	-	154	8,143
23	12	71	3	183
4	5	29	4	84
$ 644	$ 825	$ 3,423	$ 598	$ 19,361
-	-	40	-	-
-	-	-	155	8,156
2	-	-	-	-
640	825	3,383	443	11,205
-	-	-	-	-
2	-	-	-	-
644	825	3,423	598	19,361
$ 644	$ 825	$ 3,423	$ 598	$ 19,361

Continued on next page

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
June 30, 2008
(In Thousands)

	Linda Vista	Mount Hope	Naval Training Center
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 200	$ 1,119	$ 1,735
Cash and Investments with Fiscal Agent	-	319	-
Receivables:			
Taxes	2	36	41
Interest	1	11	16
TOTAL ASSETS	$ 203	$ 1,485	$ 1,792
FUND BALANCES			
Reserved for Encumbrances	-	-	-
Reserved for Debt Service	-	319	-
Unreserved:			
Reported in Debt Service Funds:			
Designated for Unrealized Gain	-	-	-
Designated for Debt Services	203	1,166	1,692
Designated for Subsequent Years' Expenditures	-	-	100
Undesignated	-	-	-
TOTAL FUND BALANCES	203	1,485	1,792
TOTAL LIABILITIES AND FUND BALANCES	$ 203	$ 1,485	$ 1,792

North Bay	North Park	San Ysidro	Southcrest	Total
$ 7,700	$ 4,761	$ 2,430	$ 1,870	$ 45,801
980	1,597	-	1,576	15,971
117	138	117	80	1,081
51	42	24	16	358
$ 8,848	$ 6,538	$ 2,571	$ 3,542	$ 63,211
-	-	19	1,215	1,293
980	1,604	-	1,578	15,997
-	-	-	-	9
7,868	4,898	2,552	-	44,905
-	123	-	749	972
-	(87)	-	-	35
8,848	6,538	2,571	3,542	63,211
$ 8,848	$ 6,538	$ 2,571	$ 3,542	$ 63,211

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
Year Ended June 30, 2008
(In Thousands)

	Barrio Logan	Central Imperial	City Heights
REVENUES			
Tax Increments	$ 475	$ 1,799	$ 6,788
Interest	8	90	471
TOTAL REVENUES	483	1,889	7,259
EXPENDITURES			
Administration	5	16	80
Bond Sale Expense	-	468	-
Tax Sharing Payments	-	107	-
City Projects	-	1	-
Debt Service:			
Principal	-	170	3,882
Interest	-	1,052	1,698
Advance Refunding Escrow	-	269	-
TOTAL EXPENDITURES	5	2,083	5,660
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	478	(194)	1,599
OTHER FINANCING SOURCES (USES)			
Transfers from Tax Increments	152	1,156	5,885
Transfers from Other Funds	4	154	3,676
Transfers from Bond Proceeds	-	450	-
Transfers to Other Funds	(584)	(825)	(2,467)
Transfers to Escrow Agent	-	(3,053)	-
Proceeds from Developer Loans and Notes	-	4,733	-
TOTAL OTHER FINANCING SOURCES (USES)	(428)	2,615	7,094
NET CHANGE IN FUND BALANCES	50	2,421	8,693
FUND BALANCES AT JUNE 30, 2007	-	268	1,949
FUND BALANCES AT JUNE 30, 2008	$ 50	$ 2,689	$ 10,642

College Community	College Grove	Crossroads	Gateway Center West	Horton Plaza
$ 783	$ 509	$ 2,564	$ 267	$ 6,720
28	39	212	25	907
811	548	2,776	292	7,627
6	5	23	5	51
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	171	-	80	1,675
-	17	-	68	2,250
-	-	-	-	-
6	193	23	153	3,976
805	355	2,753	139	3,651
56	501	2,477	358	12,983
-	-	-	36	700
-	-	-	-	-
(217)	(31)	(1,807)	(54)	(6,387)
-	-	-	-	-
-	-	-	-	-
(161)	470	670	340	7,296
644	825	3,423	479	10,947
-	-	-	119	8,414
$ 644	$ 825	$ 3,423	$ 598	$ 19,361

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
Year Ended June 30, 2008
(In Thousands)

	Linda Vista	Mount Hope	Naval Training Center
REVENUES			
Tax Increments	$ 75	$ 1,278	$ 2,401
Interest	12	75	100
TOTAL REVENUES	87	1,353	2,501
EXPENDITURES			
Administration	5	6	22
Bond Sale Expense	-	82	-
Tax Sharing Payments	-	-	-
City Projects	-	1	-
Debt Service:			
Principal	-	220	206
Interest	-	331	952
Advance Refunding Escrow	-	401	-
TOTAL EXPENDITURES	5	1,041	1,180
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	82	312	1,321
OTHER FINANCING SOURCES (USES)			
Transfers from Tax Increments	197	1,258	908
Transfers from Other Funds	-	110	22
Transfers from Bond Proceeds	-	-	-
Transfers to Other Funds	(76)	(998)	(459)
Transfers to Escrow Agent	-	(2,805)	-
Proceeds from Developer Loans and Notes	-	3,110	-
TOTAL OTHER FINANCING SOURCES (USES)	121	675	471
NET CHANGE IN FUND BALANCES	203	987	1,792
FUND BALANCES AT JUNE 30, 2007	-	498	-
FUND BALANCES AT JUNE 30, 2008	$ 203	$ 1,485	$ 1,792

North Bay	North Park	San Ysidro	Southcrest	Total
$ 4,939	$ 4,778	$ 2,362	$ 1,963	$ 37,701
399	329	186	114	2,995
5,338	5,107	2,548	2,077	40,696
50	42	22	12	350
-	-	-	505	1,055
-	-	-	-	107
-	-	-	2	4
				-
240	664	61	817	8,186
693	1,792	331	1,053	10,237
-	-	-	430	1,100
983	2,498	414	2,819	21,039
4,355	2,609	2,134	(742)	19,657
4,462	2,297	2,807	1,334	36,831
246	922	-	239	6,109
-	-	-	675	1,125
(1,190)	(832)	(2,370)	(450)	(18,747)
-	-	-	(3,718)	(9,576)
-	-	-	5,776	13,619
3,518	2,387	437	3,856	29,361
7,873	4,996	2,571	3,114	49,018
975	1,542	-	428	14,193
$ 8,848	$ 6,538	$ 2,571	$ 3,542	$ 63,211

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
June 30, 2008
(In Thousands)

	Barrio Logan	Central Imperial	City Heights
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 536	$ 2,255	$ 1,222
Investments at Fair Value	-	3,759	-
Receivables:			
Notes and Contracts	400	522	2,960
Interest	3	20	9
Working Capital Advances:			
Centre City Development Corporation	-	-	-
Southeastern Economic Development Corporation	-	68	-
Gen Working Cap/City of San Diego	-	-	231
Land Held for Resale	40	1,921	2,350
TOTAL ASSETS	$ 979	$ 8,545	$ 6,772
LIABILITIES			
Accounts Payable	$ 840	$ 141	$ 857
Trust Liability	-	22	-
TOTAL LIABILITIES	840	163	857
FUND BALANCES			
Reserved for Land Held for Resale	40	1,921	2,350
Reserved for Notes Receivable	400	522	2,960
Reserved for Encumbrances	124	1,780	1,379
Reserved for Working Capital Advances	-	68	231
Unreserved:			
Reported in Capital Project Funds:			
Designated for Unrealized Gain	-	13	-
Designated for Subsequent Years' Expenditures	-	3,971	-
Undesignated	(425)	107	(1,005)
TOTAL FUND BALANCES	139	8,382	5,915
TOTAL LIABILITIES AND FUND BALANCES	$ 979	$ 8,545	$ 6,772

College Community	College Grove	Crossroads	Gateway Center West	Grantville	Horton Plaza	Linda Vista
$ 21	$ -	$ 219	$ 43	$ -	$ 6,132	$ 596
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1	-	-	43	4
-	-	-	-	-	275	-
-	-	-	-	-	-	-
-	30	30	-	-	-	30
-	-	-	165	-	-	366
$ 21	$ 30	$ 250	$ 208	$ -	$ 6,450	$ 996
$ 390	$ 105	$ 40	$ -	$ 108	$ 151	$ 11
-	-	106	18	-	25	-
390	105	146	18	108	176	11
-	-	-	165	-	-	366
-	-	-	-	-	-	-
75	1	868	20	45	1,943	30
-	30	30	-	-	275	30
-	-	-	-	-	40	3
-	-	-	5	-	4,016	556
(444)	(106)	(794)	-	(153)	-	-
(369)	(75)	104	190	(108)	6,274	985
$ 21	$ 30	$ 250	$ 208	$ -	$ 6,450	$ 996

Continued on next page

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
June 30, 2008
(In Thousands)

	Mount Hope	Naval Training Center	North Bay
ASSETS			
Cash or Equity in Pooled Cash and Investments	$ 545	$ 1,101	$ 4,285
Investments at Fair Value	-	-	-
Receivables:			
Notes and Contracts	-	-	-
Interest	3	5	6
Working Capital Advances:			
Centre City Development Corporation	-	-	-
Southeastern Economic Development Corporation	200	-	-
General Working Capital	-	71	231
Land Held for Resale	446	-	-
TOTAL ASSETS	$ 1,194	$ 1,177	$ 4,522
LIABILITIES			
Accounts Payable	$ 36	$ 167	$ 7
Trust Liability	5	-	-
TOTAL LIABILITIES	41	167	7
FUND BALANCES			
Reserved for Land Held for Resale	446	-	-
Reserved for Notes Receivable	-	-	-
Reserved for Encumbrances	86	8,165	1,606
Reserved for Working Capital Advances	200	71	231
Unreserved:			
Reported in Capital Project Funds:			
Designated for Unrealized Gain	2	-	25
Designated for Subsequent Years' Expenditures	419	-	2,653
Undesignated	-	(7,226)	-
TOTAL FUND BALANCES	1,153	1,010	4,515
TOTAL LIABILITIES AND FUND BALANCES	$ 1,194	$ 1,177	$ 4,522

North Park	San Ysidro	Southcrest	Total
$ 2,236	$ 128	$ 5,126	$ 24,445
-	-	3,890	7,649
-	-	-	3,882
15	1	39	149
-	-	-	275
-	-	27	295
-	-	-	623
-	-	203	5,491
$ 2,251	$ 129	$ 9,285	$ 42,809
$ 32	$ 6	$ 31	$ 2,922
61	72	60	369
93	78	91	3,291
-	-	203	5,491
-	-	-	3,882
1,817	1,749	75	19,763
-	-	27	1,193
12	-	29	124
-	-	5,746	17,366
329	(1,698)	3,114	(8,301)
2,158	51	9,194	39,518
$ 2,251	$ 129	$ 9,285	$ 42,809

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
June 30, 2008
(In Thousands)

	Barrio Logan	Central Imperial	City Heights
REVENUES			
Interest	$ 9	$ 364	$ 190
Rents	-	-	176
Private Sources	23	50	294
Other Revenue	-	258	192
TOTAL REVENUES	32	672	852
EXPENDITURES			
Administration	285	1,135	758
Legal	247	58	70
Plans and Surveys	39	217	65
Acquisition Expense	15	-	58
Real Estate/Fixture Purchases	-	-	5
Property Management	6	136	61
Relocation	56	-	31
Rehabilitation	-	-	72
Project Improvements	7	212	205
Promotions and Marketing	-	-	-
Bond Sale Expense	-	6	-
Program Management	-	58	-
City Projects	-	-	1,335
Other	6	-	-
TOTAL EXPENDITURES	661	1,822	2,660
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(629)	(1,150)	(1,808)
OTHER FINANCING SOURCES (USES)			
Transfers from Tax Increments	578	783	2,503
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	(456)	(2,305)
Proceeds from Developer Loans and Notes	-	8,106	2,011
Loans from the City of San Diego	675	-	-
Premium on Bonds Issued	-	156	-
TOTAL OTHER FINANCING SOURCES (USES)	1,253	8,589	2,209
NET CHANGE IN FUND BALANCES	624	7,439	401
FUND BALANCES AT JUNE 30, 2007	(485)	943	5,514
FUND BALANCES AT JUNE 30, 2008	$ 139	$ 8,382	$ 5,915

College Community	College Grove	Crossroads	Gateway Center West	Grantville	Horton Plaza	Linda Vista
$ 2	$ -	$ 6	$ 2	$ -	$ 313	$ 30
-	-	-	-	-	-	128
-	-	-	-	-	1,989	-
1	-	-	-	-	-	-
3	-	6	2	-	2,302	158
176	31	444	22	36	777	84
5	2	27	8	25	38	2
-	-	32	21	-	177	-
-	-	-	-	-	-	1
-	-	-	-	-	242	-
2	1	8	2	-	128	14
-	-	-	-	-	-	-
-	-	-	-	-	6,678	-
-	-	-	-	-	445	-
-	-	-	-	-	3	-
-	-	-	-	-	-	-
-	-	-	-	-	510	-
-	-	1,250	-	-	62	-
-	-	-	-	-	-	-
183	34	1,761	53	61	9,060	101
(180)	(34)	(1,755)	(51)	(61)	(6,758)	57
215	29	1,807	52	-	6,100	75
-	-	-	-	-	287	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
215	29	1,807	52	-	6,387	75
35	(5)	52	1	(61)	(371)	132
(404)	(70)	52	189	(47)	6,645	853
$ (369)	$ (75)	$ 104	$ 190	$ (108)	$ 6,274	$ 985

Continued on next page

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
June 30, 2008
(In Thousands)

	Mount Hope	Naval Training Center	North Bay
REVENUES			
Interest	$ 29	$ 16	$ 198
Rents	-	-	-
Private Sources	-	-	-
Other Revenue	-	1	-
TOTAL REVENUES	29	17	198
EXPENDITURES			
Administration	429	359	487
Legal	35	118	47
Plans and Surveys	103	37	2
Acquisition Expense	-	6	16
Real Estate/Fixture Purchases	-	-	-
Property Management	62	15	16
Relocation	-	-	-
Rehabilitation	-	-	-
Project Improvements	69	6,261	618
Promotions and Marketing	-	-	-
Bond Sale Expense	-	-	-
Program Management	19	-	-
City Projects	119	-	-
Other	-	-	-
TOTAL EXPENDITURES	836	6,796	1,186
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(807)	(6,779)	(988)
OTHER FINANCING SOURCES (USES)			
Transfers from Tax Increments	800	558	1,181
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	-	(44)
Proceeds from Developer Loans and Notes	-	6,804	-
Loans from the City of San Diego	-	448	-
Premium on Bonds Issued	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	800	7,810	1,137
NET CHANGE IN FUND BALANCES	(7)	1,031	149
FUND BALANCES AT JUNE 30, 2007	1,160	(21)	4,366
FUND BALANCES AT JUNE 30, 2008	$ 1,153	$ 1,010	$ 4,515

North Park	San Ysidro	Southcrest	Total
$ 96	$ 5	$ 464	$ 1,724
-	-	-	304
-	20	-	2,376
-	-	162	614
96	25	626	5,018
566	589	713	6,891
93	40	24	839
88	90	32	903
27	26	-	149
-	-	-	247
143	10	46	650
-	-	-	87
-	-	-	6,750
-	75	7	7,899
-	-	-	3
-	-	7	13
-	-	32	619
-	1,500	-	4,266
-	-	-	6
917	2,330	861	29,322
(821)	(2,305)	(235)	(24,304)
947	2,366	298	18,292
-	-	1	288
(679)	-	(675)	(4,159)
-	-	8,987	25,908
-	-	-	1,123
-	-	155	311
268	2,366	8,766	41,763
(553)	61	8,531	17,459
2,711	(10)	663	22,059
$ 2,158	$ 51	$ 9,194	$ 39,518

MGO

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SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

NEWPORT BEACH

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, 2008, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated April 20, 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 in order to determine 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.

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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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 organization'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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 findings and recommendations as item 2008-a.

This report is intended solely for the information and use of the Board of Directors, management of the Agency, others within the entity 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
April 20, 2009

Compliance Findings:

2008-a Annual Report Submission to the City Council

The California Health and Safety Code section 33080.1 states that "*every redevelopment agency shall submit an annual report to its legislative body within six months of the end of the agency's fiscal year.*" The annual report should include: "*(1) an independent financial audit report for the previous fiscal year, (2) a fiscal statement for the previous fiscal year that contains the information required pursuant to Section 33080.5, (3) a description of the agency's activities in the previous fiscal year affecting housing and displacement that contains the information required by Sections 33080.4 and 33080.7, (4) a description of the agency's progress, including specific actions and expenditures, in alleviating blight in the previous fiscal year, (5) a list of, and status report on, all loans made by the redevelopment agency that are $50,000 or more, that in the previous fiscal year were in default, or not in compliance with the terms of the loan approved by the agency, (6) a description of the total number and nature of the properties that the agency owns and those properties the agency has acquired in the previous fiscal year.*"

We noted that the Agency did not submit a complete annual report to the legislative body within six months of the end of the Agency's current fiscal year. The fiscal statement for the previous year was not submitted with audited numbers because it was in progress of completion during the time that the Agency submitted their annual reports.

We recommend that the Agency prepare and submit all required reports to the legislative body within six months of the end of the Agency's fiscal year end. In the case an audit has not been completed, the Agency could submit an unaudited set of financials and indicate that since the financial report included unaudited numbers, the submitted numbers could change when the actual audit is completed.

Management Response:

We agree. The Agency prepared and submitted to the City Council an annual report for the previous fiscal year, within six months of the end of the fiscal year, including all items cited above, with the exception of the independent financial audit report since it had not been completed by the required time frame established under section 33080.1 of the California Health and Safety Code. The Agency plans to submit a complete annual report to the City Council in future years within six months of the end of the fiscal year.

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008

Findings related to the financial statements:

Reference Number:	**2007-1 & 2006-1**
Financial Statement Area:	*MissingJournal Entry Approvals*
Audit Finding:	During the performance of our testwork on the Agency's controls over post-close journal entries for the fiscal years ended June 30, 2006 and June 30, 2007, we noted that post-close journal entries for some selected samples were not appropriately approved.
Status of Corrective Action:	Corrected during FY2008. The Agency adjusted the system over the processing of journal entries to ensure that all modifications to journal entries are re-approved.

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.

REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008

Findings related to the financial statements:

Reference Number:	**2003-1**
Status of Corrective Action:	Additionally, the implementation of OneSD will dramatically change (and improve) the year-end process; however, the preparation of the Fiscal Year 2008 Annual Financial Report was completed using the City's current accounting systems. Also during FY 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 for 2008 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 will allow 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:	**2007-b & 2006-b**
Compliance Area:	*Property held for longer than 5 years*
Audit Finding:	In accordance with CA Health & Safety Code §33334.16, the Agency is required to initiate activities to develop properties purchased with Housing Fund money within five years from the date of acquisition. If development activities have not begun within this period, the legislative body may adopt a resolution extending the period for one time, not to exceed five years. During our review of the Agency's year ended June 30, 2006 and June 30, 2007 property listing, we noted that 1 property site acquired with Housing Fund money and managed by the Southeastern Economic Development Corporation (SEDC) did not initiate activities within the five year period, nor did they attempt to obtain an extension by resolution.
Status of Corrective Action:	Corrected during FY2008. Management has established monitoring controls to identify land held for resale purchased with low and moderate income housing funds that could exceed the 5 year limit established by CA Health & Safety Code §33334.16. For properties identified, management will ensure appropriate action is taken to either obtain an extension by resolution or to reimburse the housing fund for acquisition costs associated with land purchased before the 5 year limit is exceeded.

Reference Number:	**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 years ended June 30, 2003, June 30, 2004, June 30, 2005, June 30, 2006, and June30, 2007 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:	In progress. Improvements have been made which is evident by the Agency's submittal of the annual reports for fiscal years ended June 30, 2003, June 30, 2004, June 30, 2005, June 30, 2006, and June 30, 2007 during calendar year 2008, however more improvements are needed in order to fully mitigate all aspects of the finding. See current year finding 2008-a.

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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, 2008

CHANGES IN PRINCIPAL DUE TO CITY BY PROJECT AREA

	Balance July 1, 2007	Additions	Repayments	Balance June 30, 2008
Barrio Logan	$ 12,151	$ 675	$ -	$ 12,826
Central Imperial	18,916		-	18,916
Centre City	43,185		-	43,185
City Heights	9,759	-	674	9,085
College Community	722	-	-	722
College Grove	41	-	-	41
Crossroads	793		-	793
Gateway Center West	6,130	-	-	6,130
Grantville	507		-	507
Linda Vista	1,945	-	-	1,945
Mount Hope	3,918	-	-	3,918
Naval Training Center	6,892	448	206	7,134
North Bay	1,735	-	-	1,735
North Park	2,037		349	1,688
San Ysidro	775	-	36	739
Southcrest	9,911	-	291	9,620
Total Principal Due	$ 119,417	$ 1,123	$ 1,556	$ 118,984

CHANGES IN INTEREST DUE TO CITY BY PROJECT AREA

	Balance July 1, 2007	Additions	Repayments	Balance June 30, 2008
Barrio Logan	$ 11,734	$ 1,280	$ -	$ 13,014
Central Imperial	11,688	1,939	450	13,177
Centre City	68,677	4,426		73,103
City Heights	6,499	891	490	6,900
College Community	782	74	-	856
College Grove	25	4	-	29
Crossroads	239	81	-	320
Gateway Center West	13,351	628	-	13,979
Grantville	90	52	-	142
Linda Vista	4,150	200	-	4,350
Mount Hope	900	402	-	1,302
Naval Training Center	1,056	457	679	834
North Bay	338	178	-	516
North Park	1,354	203	407	1,150
San Ysidro	837	79	24	892
Southcrest	9,054	1,012	383	9,683
Total Interest Due	$ 130,774	$ 11,906	$ 2,433	$ 140,247

APPENDIX D

FISCAL CONSULTANT'S REPORT

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FISCAL CONSULTANT REPORT

NORTH PARK REDEVELOPMENT PROJECT AREA

Prepared for

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

Prepared by

DAVID TAUSSIG & ASSOCIATES, INC.
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TABLE OF CONTENTS

I. INTRODUCTION

The Redevelopment Agency of the City of San Diego (the "Agency") expects to issue Tax Allocation Bonds in July 2009 to be secured by tax increment revenues from the North Park Redevelopment Project Area (the "Project Area"). Bond proceeds will be used to repay the existing Bank of America, N.A. line of credit and finance other projects as described herein. 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. NORTH PARK PROJECT AREA BACKGROUND

The Ordinance approving the Redevelopment Plan for the Project Area was adopted by the City Council of the City of San Diego on March 4, 1997 (accomplished by Ordinance No. 0-18386). The main purpose of establishing the Redevelopment Plan (the "Plan") was to eradicate 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 thirty (30) years from the date of adoption. Pursuant to subdivision (a)(1) of Section 33333.2 of the Health and Safety Code, the time limit on the establishment of loans, advances, and bonded indebtedness to be funded through tax increment revenues is twenty (20) years from the adoption of the Plan. Also, total bonded indebtedness of the Project Area to be repaid by the allocation of taxes to the Agency that can be outstanding at any one time shall not exceed $53 million. In accordance with subdivision (a)(3) of Section 33333.2 of the Health and Safety Code, the time limit for the receipt of tax increment revenues is forty-five (45) years from the adoption of the Plan. Please note that the Agency and the City of San Diego adopted Ordinance 0-19515 on June 20, 2006 and July 11, 2006, respectively, extending the (i) Plan effectiveness deadline to March 4, 2028, (ii) repayment of indebtedness deadline to 2043, and (iii) tax increment receipt deadline to March 4, 2043.

The Project Area is administered by the City Redevelopment Division of the City Planning and Community Investment Department. The Project Area encompasses 555 acres of land, located 5 miles from downtown San Diego and next to Balboa Park. Land uses in the Project Area include commercial, residential, retail, and light manufacturing. Historic preservation and enhancement of single family homes is key. The Project Area is bordered by Interstate 805 to the east, Park Boulevard to the west, Adams Avenue to the north, and Upas Street to the south.

B. PROPOSED SERIES 2009 BONDS

The Agency expects to issue tax allocation bonds in July 2009 (the "Series 2009 Bonds") to be secured by the non-housing tax increment revenues from the Project Area (i.e., the tax increment revenues available after deducting the low/moderate income housing set-aside). Bond proceeds will be used to repay the tax-exempt portion of the existing Bank of America, N.A. line of credit as explained in Section I.C.2 below, pay off the $900,000 Public Improvement Component under the Western Pacific Housing, Inc. DDA as explained in Section I.C.3 below, and to provide approximately $3,000,000 for new projects.

C. CURRENT USES OF TAX INCREMENT REVENUES

The following items represent current uses of annual net tax increment revenues after payments are made for AB 1290 pass-throughs.

1. NORTH PARK TAX ALLOCATION BONDS, SERIES 2000 AND 2003

In 2000 and 2003, the Agency issued tax allocation bonds for the Project Area in the amounts of $7,000,000 and $12,505,000, respectively. The current amount outstanding for the Series 2000 bonds is $6,035,000. The Series 2003 bonds were further bifurcated into Series 2003A (taxable) and Series 2003B (tax-exempt) bonds. The current amount outstanding for the Series 2003A and 2003B bonds is $6,045,000 and $5,360,000, respectively. The Agency used approximately twenty-four and one-half percent (24.5%) of the proceeds of the Series 2000 bonds for housing purposes, and the Agency used approximately forty-one and one-tenth percent (41.1%) of the proceeds of the Series 2003A bonds for housing purposes. None of the proceeds of the Series 2003B bonds were used for housing purposes. Under the redevelopment law, the Agency may pay that portion of the scheduled debt service on the Series 2000 bonds and Series 2003A bonds attributable to the proceeds of such bonds used for housing purposes (or a total of twenty-four percent (24.0%) of the combined debt service on the outstanding bonds) with housing set-aside funds. The Agency currently pays approximately 20% of the combined debt service on the outstanding bonds with housing set-aside funds.

The proceeds from both issuances were primarily utilized to fund the following projects:

- North Park Theatre Restoration
- Renaissance at North Park mixed-use development
- North Park Public Parking Garage
- North Park Public Parking Lot

2. LINES OF CREDIT

In October 31, 2006, the Agency entered into a credit agreement with Bank of America, N.A., which provided for a $10 million line of credit which was reduced to

$8.5 million, the total amount currently outstanding. The repayment of the line of credit is secured by a pledge by the Agency of non-housing tax increment revenues from the Project Area. Of this amount, approximately $1.0 million was used to finance redevelopment activities and projects, the refinancing of which cannot be done on a tax-exempt basis, and approximately $7.5 million was used to finance redevelopment projects that can be refinanced on a tax-exempt basis. The line of credit is non-revolving, has a term of two-years, and requires quarterly interest payments beginning in January 2007. On November 1, 2008, the expiration date for the line of credit was extended through to July 31, 2009. The Agency expects to fully repay the portion of the Bank of America, N.A. line of credit that can be refinanced on a tax-exempt basis with proceeds of the Series 2009 Bonds and to fully repay, at or prior to the closing for the Series 2009 Bonds, the portion of the line of credit that cannot be refinanced on a tax-exempt basis with funds that the Agency has on hand and available for such purpose.

Proceeds from the line of credit were used or are expected to be used to pay for (i) the North Park Parking Facility bounded by University Avenue, 30th Street, North Park Way, and 29th Street, (ii) the rehabilitation of the North Park Theatre at the corner of University Avenue and 29th Street, and (iii) streetscape improvements.

In July 2007, the Agency authorized an additional non-revolving $7.3 million line of credit with San Diego National Bank[1] secured by housing set-aside tax increment revenues from the Project Area. The Agency's obligation to repay the line of credit is subordinate to the Agency's obligation to repay the existing Series 2000 and 2003 bonds and has a three year term and requires quarterly interest payments. The Agency expects to issue an additional series of tax allocation bonds to repay the San Diego National Bank line of credit before it expires.

3. Western Pacific Housing, Inc. Disposition and Development Agreement

On April 13, 2004, the Agency entered into a Disposition and Development Agreement ("DDA") with Western Pacific Housing, Inc. (the "Developer") for the development of approximately 2.06 acres on the block bounded by 30th Street to the west, Lincoln Avenue to the north and Ohio Street to the east (the "Site").

Pursuant to the DDA, the Agency is required to repay the Developer $900,000 in costs incurred by the Developer for the construction and installation of authorized improvements (the "Public Improvement Component") and $2,100,000 in costs incurred by the Developer to provide affordable housing on the Site (the "Affordability Component"). The Agency expects to pay off the $900,000 Public Improvement Component with the proceeds of the Series 2009 Bonds when such payment is due under the terms of the DDA and will use future housing set-aside tax

1 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: North Park ($7.3 million); City Heights ($11 million); Naval Training Center ($7.1 million); and North Bay ($8.6 million).

increment revenues to pay off the $2,100,000 Affordability Component. Payments to the Developer are to commence once the last affordable housing unit is sold. Currently, two affordable units remain to be sold. The Agency's obligation to make payments to the Developer for the Affordability Component are subordinate to the Agency's obligation to pay debt service on the existing Series 2000 and 2003 bonds, and when due will be paid on September 30 of each year.

4. LOAN AGREEMENT WITH CITY

The Agency and the City are currently in negotiations to approve a loan repayment plan pursuant to which the Agency will repay outstanding loans from the City to the Agency. The City loans to the Agency relate to the City's Community Development Block Grant ("CDBG") program. The City's program was recently audited by the Inspector General for the Department of Housing and Urban Development ("HUD"), which determined that the City had failed to execute certain documents pertaining to various City loans to the Agency with respect to the program.

The City is currently in discussions with HUD regarding the audit findings and any actions HUD may require of the City, including the possible repayment by the City of certain CDBG funds, which could result in a need for the Agency to repay its loan from the City. The total amount of outstanding loans is approximately $2.8 million, of which approximately $1.7 million is principal. The loans were provided, primarily, 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.

The Agency's obligation to repay the loan is subordinate to the Agency's repayment obligation with respect to any bonds, notes, or other indebtedness issued by the Agency, including the Series 2009 Bonds. It is expected that the first payment on the loan will occur in 2010 from tax increment revenues.

II. PROJECT TAXABLE VALUES

The County of San Diego Assessor (the "County Assessor") determines the assessed valuations of real and personal property in the Project Area. The secured roll is the County Assessor's roll which contains real property for which ad valorem taxes are secured by a lien on the property, and the unsecured roll contains business personal property, for which ad valorem taxes are not secured by a lien. The County assigns values to each Assessor's Parcel, which is listed in turn by an Assessor's Parcel Number ("APN"). The County Assessor releases the equalized County Assessor's roll on or prior to the first of July of each Fiscal Year. At this time, the Auditor Controller compiles the tax roll based on this information. The Auditor Controller assigns each APN to a Tax Rate Area ("TRA"), which is a geographic area containing Assessor's Parcels with the same tax rates. The Project Area includes one TRA: 08-255. The Auditor Controller is responsible for combining the assessed values provided by the County Assessor for all APNs within the Project Area, and releasing a report each July showing the secured and unsecured values for the current and base year as well as the incremental value for the entire Project Area.

Based on discussions with the County Auditor and County Assessor, there are discrepancies in the total net assessed values due to procedural differences and timing of obtaining the data. Please note that Table 1 is based on values provided by the County Auditor. Since the County Assessor's secured values are lower than the Auditor's values, we have conservatively used the lower secured values in Tables 2, 3, and 8 and the tax increment projections in Tables 9 and 10. The secured assessed values shown in Tables 9 and 10 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 2008-2009 assessed values shown herein are dated as of January 1, 2008.

A. HISTORIC TAXABLE VALUES

DTA researched historic secured and unsecured taxable values in the Project Area for Fiscal Years 1998-1999 through 2008-2009. These values, which are based on information provided by the County of San Diego Auditor Controller, are shown in Table 1. As listed in the table, the Fiscal Year 1998-1999 base year value for the Project Area is approximately \$424 million, and the total secured and unsecured value for the Project Area has risen from nearly \$424 million for Fiscal Year 1998-1999 to nearly \$1.169 billion for Fiscal Year 2008-2009, an increase of approximately 176%.

As shown in Table 1 below, assessed values for property located within the Project Area experienced double-digit percentage increases from Fiscal Year 2001-2002 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 350 new residential units since Fiscal Year 2001-2002. During this time period, the Agency completed the redevelopment of the mixed-use La Boheme Redevelopment Project and the Renaissance at North Park Redevelopment Project in 2006 which added approximately \$62 million and \$32 million, respectively, to the secured tax roll.

TABLE 1
HISTORICAL TAX INCREMENT VALUES [2]

	FY 1998-1999 Base Year Value	FY 1999-2000 Taxable Value	FY 2000-2001 Taxable Value	FY 2001-2002 Taxable Value	FY 2002-2003 Taxable Value	FY 2003-2004 Taxable Value	FY 2004-2005 Taxable Value	FY 2005-2006 Taxable Value	FY 2006-2007 Taxable Value	FY 2007-2008 Taxable Value	FY 2008-2009 Taxable Value
Secured Values [1]											
Land	$196,484,726	$206,156,479	$218,285,289	$238,556,524	$259,396,504	$289,602,435	$328,786,859	$416,522,646	$488,002,024	$583,794,621	$627,803,657
Improvement	222,640,198	246,403,657	266,157,900	288,113,383	311,674,761	339,121,972	377,598,097	411,121,443	464,133,877	543,836,646	549,805,774
Personal Property	2,523,329	1,311,398	1,845,740	1,498,222	139,969	129,455	1,034,585	1,345,318	1,263,082	2,284,650	2,134,494
Gross Value	421,648,253	453,871,534	486,288,929	528,168,129	571,211,234	628,853,862	707,419,541	828,989,407	953,398,983	1,129,915,917	1,179,743,925
Less Exemptions	(8,911,306)	(8,912,365)	(9,775,238)	(9,690,960)	(10,735,089)	(11,674,496)	(12,535,963)	(13,282,156)	(14,545,386)	(15,104,908)	(28,172,859)
Total Secured	**412,736,947**	**444,959,169**	**476,513,691**	**518,477,169**	**560,476,145**	**617,179,366**	**694,883,578**	**815,707,251**	**938,853,597**	**1,114,811,009**	**1,151,571,066**
Unsecured Values [1]											
Land	0	0	0	0	0	0	0	0	0	0	0
Improvement	4,348,700	6,058,451	5,994,277	5,261,490	5,454,610	7,915,990	5,973,344	5,822,960	5,848,373	5,798,817	6,114,373
Personal Property	6,465,383	9,764,052	10,219,519	10,093,737	10,325,188	12,351,410	11,613,698	11,144,665	12,097,153	12,972,017	12,338,763
Gross Value	10,814,083	15,822,503	16,213,796	15,355,227	15,779,798	20,267,400	17,587,042	16,967,625	17,945,526	18,770,834	18,453,136
Less Exemptions	0	0	(304,679)	(445,838)	(114,762)	(675,494)	(701,121)	(655,788)	(656,536)	(1,610,655)	(1,294,381)
Total Unsecured	**10,814,083**	**15,822,503**	**15,909,117**	**14,909,389**	**15,665,036**	**19,591,906**	**16,885,921**	**16,311,837**	**17,288,990**	**17,160,179**	**17,158,755**
Total Secured and Unsecured	**423,551,030**	**460,781,672**	**492,422,808**	**533,386,558**	**576,141,181**	**636,771,272**	**711,769,499**	**832,019,088**	**956,142,587**	**1,131,971,188**	**1,168,729,821**
Percentage Change in Total Value	NA	8.79%	6.87%	8.32%	8.02%	10.52%	11.78%	16.89%	14.92%	18.39%	3.25%
Base Year Value	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**	**423,551,030**
Incremental Value	**0**	**37,230,642**	**68,871,778**	**109,835,528**	**152,590,151**	**213,220,242**	**288,218,469**	**408,468,058**	**532,591,557**	**708,420,158**	**745,178,791**
Percentage Change in Incremental Value	NA	NA	84.99%	59.48%	38.93%	39.73%	35.17%	41.72%	30.39%	33.01%	5.19% [3]

[1] Based on information provided by the County of San Diego Auditor/Controller as indicated in "Report Val File-04 PSVVP70@".
[2] Assessed values as of 1/1 of the initial year of each fiscal year (i.e. 1/1/08 for FY 2008-2009).
[3] Additional information regarding the slower rate of increase in the overall total value for FY 2008-2009 can be found in Table 8. Much of the reduction in value in Fiscal Year 2008-2009 was due to assessment appeals and Proposition 8 reductions.

Note: Table 1 is based on values provided by the Auditorwhile Tables 2, 3, and 8 are based on values provided by the County Assessor. Based on discussions w iththe 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 2008-2009 County Assessor's roll. This allocation indicates that 75.53% of the Project Area valuation is residential (including 35.34% of multi-family and 28.48% of condominium residential land use) and 22.79% of the value is commercial property (of which 14.40% is office space). The breakdown by land use type is shown in Table 2.

TABLE 2
FY 2008-2009 ASSESSED VALUE BY LAND USE

Land Use [1]	No. of Parcels [1]	Secured Total Net Assessed Value [2]	Percent of Net Assessed Value
Residential Property (land use codes 07 through 19)			
Vacant Residential	13	$998,223	0.09%
Single Family Residential	558	$132,824,717	11.62%
Multi-Family Residential	820	$403,900,958	35.34%
Condominium	1,372	$325,517,888	28.48%
Miscellaneous	1	$124	0.00%
Subtotal	2,764	$863,241,910	75.53%
Commercial Property (land use codes 20 through 39)			
Office Space	379	$164,577,194	14.40%
Retail	50	$52,810,338	4.62%
Vacant Land	33	$7,769,089	0.68%
Other Uses	54	$35,349,263	3.09%
Subtotal	516	260,505,884	22.79%
Industrial Property (land use codes 40 through 49)	23	$7,397,555	0.65%
Institutional Property (land use codes 70 through 79)	21	$9,421,226	0.82%
Recreational Property (land use codes 80 through 84)	3	$527,141	0.05%
Miscellaneous Use (land use codes 88 through 89 and 00)	12	$1,790,350	0.16%
Total	**3,339**	**$1,142,884,066**	**100.00%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2008-09 Assesssor's Roll.
[2] Assessed values provided by the County Assessor as of 1/1/08. Land use codes provided by the County Assessor.

Note: Table 1 is based on values provided by the Auditor while Tables 2, 3, and 8 are based on values provided by the County Assessor. Based on discussions with the County Auditor/Controller and County Assessor, discrepancies in the total net assessed values are due to procedural differences and timing in obtaining exemption data.

C. TEN MAJOR ASSESSEES

Table 3 presents the top ten assessees from the Fiscal Year 2008-2009 equalized roll. The tables show 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, the percentage of the total project assessed value represented by that owner's property, and the percentage of the total project incremental value represented by that owner's property.

Two of the top ten major assessees are currently appealing the assessed value of some or all of their property. See Section II.E.6 below for more details. In addition, one of the top ten assessees, D&A Semi Annual Mortgage Fund III, LP is the beneficiary of two promissory note agreements entered into on October 14, 2008 which are to be repaid by Hampstead Lafayette Hotel, LLC in the principal amounts of $3,500,000 and $8,250,000.

TABLE 3
FY 2008-2009 TOP TEN ASSESSEES

Owner	Land Use	No. of Parcels [1]	Total Net Assessed Value [2]	Percent of Total Net Value	Percent of Incremental Value [3]
Hampstead Lafayette Hotel LLC [7]	Hotel/Motel	1	$12,412,215	1.09%	1.67%
Rancho-Sunrise Hotel Corporation	Store Building, Garage/Parking Lot/ Used Car Lot, Vacant Commercial	5	$10,424,400	0.91%	1.40%
American Stores Company LLC	Grocery/Drug Store	1	$8,219,160	0.72%	1.10%
Garfield Beach CVS LLC & 9141 San Diego CA-CM LP [4]	Grocery/Drug Store	1	$8,058,000	0.71%	1.08%
Vons Companies Inc	Grocery/Drug Store	1	$6,817,617	0.60%	0.91%
McEwen Otay LLC & Wiesner Carol B Trust 02-21-95	Store Building	1	$6,485,000	0.57%	0.87%
Arbor Terrace	Multi-Family Residential	8	$6,312,000	0.55%	0.85%
NPW 2930 LLC	Store Building, Vacant Commercial	2	$6,305,000	0.55%	0.85%
D&A Semi Annual Mortgage Fund III LP [5, 6]	Residential, Store Building	25	$6,284,000	0.55%	0.84%
Ventas Realty LP	Hospital	1	$5,758,372	0.50%	0.77%
Grand Total	**NA**	**46**	**$77,075,764**	**6.74%**	**10.34%**

TOTAL NET ASSESSED VALUE OF TOP 5 OWNERS:	**$45,931,392**
TOTAL NET ASSESSED VALUE OF TOP 10 OWNERS:	**$77,075,764**
TOTAL NET ASSESSED VALUE:	**$1,142,884,066**
TOTAL TAX INCREMENT VALUE:	**$745,178,791**
PERCENTAGE OF ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL NET VALUE:	**4.02%**
PERCENTAGE OF ASSESSED VALUES FOR TOP 5 OWNERS TO TOTAL TAX INCREMENT VALUE:	**6.16%**
PERCENTAGE OF ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL NET VALUE:	**6.74%**
PERCENTAGE OF ASSESSED VALUES FOR TOP 10 OWNERS TO TOTAL TAX INCREMENT VALUE:	**10.34%**

[1] Includes parcels with a net assessed value equal to $0. Excludes parcels owned by public agencies based on final FY 2008-09 Assesssor's Roll.
[2] Assessed values provided by the County Assessor as of 1/1/08.
[3] Based on FY 2008-2009 total tax increment value of $745,178,791.
[4] As shown in the Appeals section, Garfield Beach CVS LLC & 9141 San Diego CA-CMLI filed two assessment appeals on one parcel. Both appeals were resolved with no change in their assessed value.
[5] As shown in the Appeals section, D&A Semi Annual Mortgage Fund III LP contests that the value of their 21 residential units should be reduced to $4,007,220. The appeal has not yet been resolved by the County, but we have accounted for a potential decrease in value based on the applicant's opinion of value as described in the Appeals section.
[6] Property owner is the beneficiary of two promissory note agreements entered into on October 14, 2008 which are to be repaid by Hampstead Lafayette Hotel, LLC in the principal amounts of $3,500,000 and $8,250,000.
[7] Property owner is the payor of two promissory note agreements entered into on October 14, 2008 which are to be repaid by Hampstead Lafayette Hotel, LLC in the principal amounts of $3,500,000 and $8,250,000.

D. Assessment Appeals

1. Introduction

If a property owner believes that the valuation determined by the County Assessor is in error, an appeal may be filed with the County Assessment Appeals Board during a period between July and November of each fiscal year. A resolved appeal may produce a reduction in the original contested value and a refund to the property owner. If the appeal is withdrawn, there is no change in the original value.

During a real estate market downturn, the market value of property may fall below the assessed value. Under State law, Proposition 8 allows property owners to apply for a temporary reduction in assessed value to match the current market value. As market values increase, the assessed property values will also increase up to the original assessed value (plus the annual 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. 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.

As of April 16, 2009, there were 310 unresolved appeals. Table 4 shows 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, 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 2008-2009, the County Assessor's office received approximately 40,000 applications County-wide for reductions of assessed values of real property during their "informal" review process (1/1/2008 – 5/30/2008) for such fiscal year. In addition to the 40,000 informal applications, the County Assessor's office was proactive and, on its own, reduced the assessed values for an additional approximately 48,000

properties County-wide. Less than 500 of the 88,000 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 88,000 reductions discussed above, over 42,000 "formal" assessment appeal applications were received for Fiscal Year 2008-2009 during the County's formal review period (7/2/2008 – 11/30/2008) 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.

The County is currently accepting informal applications for reductions in assessed values from property owners for Fiscal Year 2009-2010, and has received approximately 26,000 applications County-wide as of May 12, 2009. The County is currently receiving approximately 5,000 applications per week County-wide. Through these different processes, the County Assessor expects that over 200,000 properties County-wide will see a reduced assessed value for Fiscal Year 2009-2010. Based on the work to date on the Fiscal Year 2009-2010 roll, the County Assessor estimates a County-wide reduction in net assessed value of approximately 4%. This reduction is based on economic factors such as lower sales prices and reduced levels of new construction, as well as Fiscal Year 2009-2010 appeals/reductions processed through May 12, 2009. The County Assessor estimates smaller reductions of 3% and 2% for Fiscal Years 2010-2011 and 2011-2012, respectively, based on historical trends.

3. HISTORICAL APPEAL REDUCTIONS

For purposes of the analysis, DTA researched the pending and recently resolved assessment appeals to determine how tax refunds as a result of appeals might reduce the tax increment received by the Agency from the Project Area.

For purposes of this analysis, DTA has conservatively assumed that pending appeals are resolved at the applicant's opinion of value. On average, the applicant's opinion of value is equal to 72% of the contested assessed value.

4. FISCAL YEAR 2006-2007 APPEALS

During Fiscal Year 2006-2007, a total of fourteen appeals were filed as shown in Table 4. Thirteen appeals were resolved with no change in value for Fiscal Year 2006-2007. One appeal with a Fiscal Year 2006-2007 assessed value of $330,000 was resolved with a reduction in value of $30,000 for Fiscal Year 2006-2007.

5. FISCAL YEAR 2007-2008 APPEALS

During Fiscal Year 2007-2008, a total of eighty-six appeals were filed. Sixteen appeals were resolved with no change in value for Fiscal Year 2007-2008. Twenty-one appeals with a total Fiscal Year 2007-2008 assessed value of $11,843,328 were resolved with a total reduction in value of $1,744,328 for Fiscal Year 2007-2008.

For the remaining forty-nine pending appeals through Fiscal Year 2007-2008 with a combined total Fiscal Year 2007-2008 assessed value of $17,527,094, DTA has conservatively estimated a total reduction of $4,197,559, which represents the applicant's opinion of value as described in Section II.E.3 above.

6. FISCAL YEAR 2008-2009 APPEALS

During Fiscal Year 2008-2009, a total of 265 appeals were filed. Three appeals were resolved with no change in value for Fiscal Year 2008-2009. One appeal with a total Fiscal Year 2008-2009 assessed value of $225,000 was resolved with a total reduction in value of $25,000 for Fiscal Year 2008-2009.

Thus, for the remaining 261 pending appeals through Fiscal Year 2008-2009 with a combined total Fiscal Year 2008-2009 assessed value of $154,902,486, DTA has conservatively estimated a total reduction of $42,725,982 which represents the applicant's opinion of value as described in Section II.E.3 above.

7. TOP TAXPAYER APPEALS

As shown in Table 3, the following two top taxpayers have appealed their assessed value: (i) Garfield Beach CVS LLC & 9141 San Diego CA-CMLI and (ii) D&A Semi Annual Mortgage Fund III LP.

Garfield Beach CVS LLC & 9141 San Diego CA-CMLI filed two assessment appeals, contesting that the Fiscal Year 2007-2008 assessed value of their parcel should be reduced to $5,000,000 from $7,900,000. Both appeals were resolved on September 4, 2008 with the County Assessment Appeal Board deciding no reduction in value was warranted. Thus, the Fiscal Year 2007-2008 assessed value for Garfield Beach CVS LLC & 9141 San Diego CA-CMLI remains unchanged at $7,900,000.

D&A Semi Annual Mortgage Fund III LP contested that the Fiscal Year 2007-2008 assessed value of their 21 residential units should be reduced to $4,007,220 from $5,310,000. The appeals have not yet been resolved by the County, but we have accounted for a potential decrease in value based on the applicant's opinion of value as described in Section II.E.3 above.

E. PROJECTIONS OF TOTAL ASSESSED VALUES

Due to the fact that the current real estate market downturn may last for several years, we have estimated an annual reduction of assessed values through Fiscal Year 2011-2012. Based on discussions with the County Assessor's office, we have utilized an estimated County-wide average reduction of 4% and assumed that the Fiscal Year 2009-2010 assessed value will be 4% lower than the Fiscal Year 2008-2009 assessed value. Going forward, we have assumed 3% and 2% reductions for Fiscal Years 2010-2011 and 2011-2012, respectively, which are based on the County's estimates for future year reductions County-wide. Based on historical trends, the County appraiser expects that reductions made after the Fiscal Year 2009-2010 tax roll will reflect smaller drops in value and properties that had their values reduced will reach their base values again by Fiscal Year 2015-2016. However, to be conservative, we are not showing any increases in value. 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 that derive tax revenues from 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 5 shows the Fiscal Year 2008-2009 tax 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 2008-2009 tax rate used to calculate tax increment in TRA 08-255 is $1.00930 per $100 of assessed value. DTA assumes a secured tax rate of $1 per $100 after Fiscal Year 2008-2009 as the override rates usually decline each year as values increase and bonded indebtedness is paid off over time.

TABLE 5
SUMMARY OF PARTICIPATING AND NON-PARTICIPATING AGENCIES

Participating Agencies [1]	FY 2007-2008 Rates for TRA 008-255 [3]	FY 2008-2009 Rates for TRA 008-255 [3]
	1.00000%	1.00000%
City of San Diego Zoological Exhibit	0.00500%	0.00500%
San Diego Unified Lease/Purchase	0.00000%	0.00000%
Metropolitan Water District	0.00450%	0.00430%
County Water Authority	0.00000%	0.00000%
Subtotal	1.00950%	1.00930%
Non-Participating Agencies [2]		
San Diego City Public Safety	0.00119%	0.00108%
San Diego Unified Bond Series 1999A	0.00748%	0.00788%
San Diego Unified Bond Series 2000B	0.00567%	0.00639%
San Diego Unified Bond Series 2001C	0.00648%	0.00734%
San Diego Unified Bond Series 2002D	0.00868%	0.00965%
San Diego Unified Bond Series 2003E	0.01429%	0.01411%
San Diego Unified Bond Series 1998F	0.00261%	0.00324%
San Diego Unified Bond Series 1998G	0.00260%	0.00440%
San Diego Unified Bond Series 2006 F-1 Refunding	0.00670%	0.00458%
San Diego Unified Bond Series 2006 G-1 Refunding	0.00556%	0.00425%
San Diego Community College Bond 2003A	0.00000%	0.00068%
San Diego Community College Bond 2003B	0.00874%	0.00840%
San Diego Community College Bond 2006A	0.01866%	0.00304%
Subtotal	0.08866%	0.07504%
Grand Total	**1.09816%**	**1.08434%**

[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 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 6. To be conservative, future supplemental assessments are not projected.

Tax increment payments can also be adjusted due to roll corrections, delinquencies, penalties, and interest. The historical status of these adjustments is also shown in Table 6.

Property taxes on assessed valuations that are reduced due to later assessment appeals result in refunds for the taxes based on the original value. Refunds are allocated based on apportionment factors. Table 6 shows the historical refunds in the Project Area.

TABLE 6
ALLOCATION ADJUSTMENTS [1]

Year	Supplemental Roll	Roll Corrections	Refunds/ Adjustments	Delinquencies / Penalties	Total Adjustments
1999-2000	$46,633.44	($1,868.98)	($3,490.97)	$0.00	$41,273.49
2000-2001	$170,136.31	($950.85)	($13,697.20)	$8,955.08	$164,443.34
2001-2002	$320,938.79	($1,003.23)	($23,780.95)	$14,699.25	$310,853.86
2002-2003	$413,173.87	($472.29)	($26,975.47)	$22,058.01	$407,784.12
2003-2004	$494,959.35	($3,523.79)	($34,303.64)	$28,167.79	$485,299.71
2004-2005	$902,383.85	($5,005.48)	($65,139.81)	$31,547.38	$863,785.94
2005-2006	$886,859.28	($748.33)	($67,563.06)	$50,106.41	$868,654.30
2006-2007	$648,326.27	($1,502.23)	($69,533.67)	$79,482.40	$656,772.77
2007-2008	$1,028,735.50	($4,518.76)	($100,205.53)	$142,580.95	$1,066,592.16

[1] Based on information in the Agency Trust Fund Summary, prepared by the Auditor-Controller.

The historical percentage of tax receipts to the actual amount of taxes levied is shown in Table 7. Please note that the total tax receipts collected often exceed the amount levied due to collection of penalties and interest.

TABLE 7
HISTORIC RECEIPTS TO LEVY ANALYSIS

Fiscal Year Ending:	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008
I. Reported Assessed Value									
Total Project Value [1]	$460,781,672	$492,422,808	$533,386,558	$576,141,181	$636,771,272	$711,769,499	$832,019,088	$956,142,587	$1,131,971,188
Less Base Value	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030	423,551,030
Incremental Value	37,230,642	68,871,778	109,835,528	152,590,151	213,220,242	288,218,469	408,468,058	532,591,557	708,420,158
Tax Rate	1.11065%	1.11046%	1.10928%	1.01820%	1.01177%	1.11827%	1.11250%	1.00970%	1.00950%
II. Gross Tax Increment	413,502	764,794	1,218,384	1,553,673	2,157,298	3,223,061	4,544,207	5,377,577	7,151,501
Unitary Revenue	0	0	1,138	1,083	1,594	1,614	1,623	2,755	14,881
County Administrative Expenses	(4,504)	(5,138)	(7,012)	(12,326)	(14,551)	(28,136)	(35,460)	(43,559)	(52,451)
Total Computed Levy	408,998	759,656	1,212,510	1,542,431	2,144,341	3,196,538	4,510,370	5,336,773	7,113,932
III. Total Receipts	445,221	912,867	1,498,177	2,078,180	2,610,446	3,711,294	4,889,797	5,860,397	7,930,701
% Difference of Computed Levy [2]	108.86%	120.17%	123.56%	134.73%	121.74%	116.10%	108.41%	109.81%	111.48%

[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. 1/1/08 for FY 2008-2009).
[2] Actual receipts collected often exceed the amount levied due to penalties and interest collected by the Agency.

C. UNITARY TAXES

The State Board of Equalization ("SBE") establishes the taxable value of real and personal property of utilities, and since Fiscal Year 1988-1989, the values have been assessed as a County-wide 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 1988-1989, when the allocation procedures changed, it was determined that a taxing agency that was created after 1988-1989 was not entitled to receive unitary revenues. In the Project Area, which was created in 1997, no unitary revenues had been received in prior years due to the abovementioned procedure.

Unitary revenue for the Project Area received as of June 30, 2007 was $14,881. The Project Area received a proportion of the increased amount as it was entitled to receive a share of the revenues. Assuming that the unitary revenues will stay at a constant level in future years, DTA is conservatively estimating that the Project Area will continue to receive the same amount.

D. ADMINISTRATIVE CHARGES

Senate Bills 2557 and 1559 allow counties to determine property tax administrative charges to local agencies in the proportion that is attributable to their property tax administrative costs to the County. The average administrative charge from Fiscal Year 1999-2000 through Fiscal Year 2007-2008 was approximately 0.78% of gross incremental revenue.

DTA has conservatively estimated the charge for future years to be 1.00% of gross incremental revenue. Tables 9 and 10 show the administrative charge as a deduction to the Project Area.

E. Low and Moderate Income Housing Set Aside

In accordance with Community Redevelopment Law (Health and Safety Code, Section 33000 *et seq.*), the Agency is required to set aside 20% of all tax increment revenues into a low and moderate income housing fund. For 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. Table 10, 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.

F. AB 1290 Payments to Affected Taxing Entities

Assembly Bill 1290 ("AB 1290") was effective as of January 1, 1994 and was significant in that it put an end to the ability of public agencies to enter into "pass through agreements." Instead, the amounts to be paid to the affected taxing agencies are automatically set at the statutory levels indicated in the table below. Fiscal Year 1999-2000 is considered to be Year 1. AB 1290 requires that payments be collected until the last fiscal year in which the Agency receives tax increment. Payments made under AB 1290 are senior to annual debt service payment obligations. For purposes of this analysis, Table 10 shows the tax increment projections for the Project Area through Fiscal Year 2038-2039 (the last year in which debt service payments are expected to be made on the proposed Series 2009 Bonds).

Plan Years	Level 1	Level 2	Level 3
1 – End (FY 1999-2000 to FY 2038-39)	25% of the incrementless the low and moderate income housing set aside (or 20% of the gross increment).		
11 – End (FY 2009-2010 to FY 2038-39)	Same as Above PLUS	Using the assessed value in Year 10 as a first adjusted base year assessed value, 21% of the incrementless the low and moderate income housing set aside (or 16.8% of the gross increment).	
31 – End (FY 2029-2030 to FY 2038-39)	Same as Above PLUS	Same as Above PLUS	Using the assessed value in Year 30 as a first adjusted base year assessed value, 14% of the incrementless the low and moderate income housing set aside (or 11.2% of the gross increment).

G. PROPERTY TAX DELINQUENCIES AND FORECLOSURES

Delinquency information for the Project Area was researched with the County on April 30, 2009. As of this date, 287 parcels (8.56% of the total parcels) in the Project Area were delinquent in the payment of secured Fiscal Year 2008-2009 property taxes to the County Tax Collector.

Information regarding foreclosure proceedings for residential parcels within zip code 92104, which fully encompasses the Project Area, but also includes areas outside the Project Area, was researched through RealtyTrac on May 14, 2009. As of this date, 305 residential properties had Notices of Default recorded with the County of San Diego, 93 residential properties were undergoing a trustee's sale, and 339 residential properties were bank-owned. Please note, zip code 92104 encompasses over 22,000 residential units while the Project Area encompasses 6,913 residential units. Therefore, the actual number of residential properties within the Project Area which are affected by foreclosure proceedings will be less than stated above.

H. EDUCATIONAL REVENUE AUGMENTATION FUND ("ERAF")

In connection with its approval of the budget for Fiscal Years 1992-1993 through 1994-1995, the State Legislature enacted legislation which reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit to ERAF. 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. Faced with a projected multi-billion dollar budget gap for Fiscal Year 2002-2003, the State Legislature adopted as urgency legislation, AB 1768 requiring redevelopment agencies to pay into ERAF in Fiscal Year 2002-2003 an aggregate amount of $75 million. Senate Bill 1096, adopted in August 2004, required redevelopment agencies statewide to pay into ERAF an amount of $250 million for Fiscal Years 2004-2005 and 2005-2006. The State's Fiscal Year 2006-2007 and 2007-2008 budgets did not include any ERAF shifts from local governments, including redevelopment agencies.

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 $12 million and the Project Area's share was $431,660. However, the California Redevelopment Association, along with two local redevelopment agencies and John Shirey, the Executive Director of the California Redevelopment Association, brought suit in superior court in Sacramento seeking to invalidate portions of AB 1389, including the obligation to make such payments. On April 30, 2009, the superior court in Sacramento rendered a ruling in the case, invalidating the operation of the legislation requiring the new Fiscal Year 2008-2009 ERAF payment. Based on the judgment, the Agency does not intend to make any ERAF payment for Fiscal Year 2008-2009 at this time; however, the Agency has budgeted and appropriated funds on hand sufficient to make the ERAF payment should the superior court's ruling be reversed, set aside, or altered in such a way that the Fiscal Year 2008-2009 ERAF becomes due and payable. The State has filed a notice of intent to appeal the ruling of the superior court, and no assurance can be given with respect to the disposition of any such appeal.

It is unknown whether the State Legislature will require future ERAF payments. Because any such payment would be subordinate to the Series 2009 Bonds, no future ERAF payments are shown in the tax increment projection in Table 10.

I. COMPREHENSIVE AFFORDABLE HOUSING STRATEGY COLLABORATIVE

In 2006 the Agency approved the pooling of the housing set-aside funds from the Redevelopment Division's eleven project areas for an Affordable Housing Opportunity Fund in order to provide greater flexibility in financing affordable housing projects throughout the City of San Diego. In July 2007, the Agency approved four separate non-revolving housing lines of credit with San Diego National Bank in an aggregate amount of $34 million secured by the housing set-aside funds from four project areas: City Heights ($11 million); Naval Training Center ($7.1 million); North Bay ($8.6 million); and North Park ($7.3 million). Of the $34 million, $29 million has been allocated to the Affordable Housing Opportunity Fund, including North Park's $7.3 million. To date, the Affordable Housing Opportunity Fund has provided approximately $23.3 million for affordable housing projects in the North Park, San Ysidro, Barrio Logan, and Crossroads project areas.

IV. PROJECT TAX INCREMENT PROJECTIONS

A. Changes in Assessed Values

Table 8 presents an analysis of the greatest changes in assessed value between years 2007-2008 and 2008-2009. As shown in Table 8, the total assessed value for 281 residential parcels was reduced by $24,316,529 (percentage change from Fiscal Year 2007-2008 to Fiscal Year 2008-2009 is -22.14%) by the County Assessor for Fiscal Year 2008-2009 as a result of Proposition 8 reductions, other assessment appeals, and changes in ownership. Of the remaining residential parcels in the Project Area, 1,175 parcels increased in value by the 2% inflation factor for Fiscal year 2008-2009 and 1,117 parcels were increased in value by greater amounts. The remaining 48 residential parcels either increased by less than the 2% inflation factor or remained unchanged from Fiscal Year 2007-2008. In total, residential parcels in the Project Area increased in value for Fiscal Year 2008-2009 by $18,097,589, or 2.23% over the residential property values for Fiscal year 2007-2008. The Project Area increased in total value by $35,456,844 (3.20%) for Fiscal Year 2008-2009.

More specifically, there were four property owners in the Project Area whose total value increased by $6,914,392 for Fiscal Year 2008-2009 due to changes in ownership. There were also two property owners in the Project Area whose total value decreased by $7,736,356 for Fiscal Year 2008-2009 due to an increase in the exempt value assigned by the County.

TABLE 8
LARGEST CHANGES IN SECURED ASSESSED VALUE

Current Assessee	Reason for Change in Value	Parcels	FY 2007-2008 Secured Net Assessed Value [1]	FY 2008-2009 Secured Net Assessed Value [1]	Difference	Percent Change
Top Ten Parcels that Increased in Value						
McEwen Otay LLC/Wiesner Carol B Trust	Ownership Change	1	$3,443,473	$6,485,000	$3,041,527	88.33%
Partage Ventures LLC	Ownership Change	1	436,789	2,040,000	1,603,211	367.04%
MJK / 30th Real Estate Holding Co LLC	Ownership Change	3	803,022	2,000,000	1,196,978	149.06%
Famea LLC	Ownership Change	3	712,324	1,785,000	1,072,676	150.59%
Brannan LLC	Ownership Change	1	161,037	1,101,600	940,563	584.07%
2911 Adams Ave LLC	Ownership Change	2	336,411	1,224,000	887,589	263.84%
Visin Jack & Karen	Ownership Change	1	179,319	1,026,961	847,642	472.70%
Harmony Grove Partners LP	Ownership Change	1	182,933	950,000	767,067	419.32%
Trevino Trust 05-12-94	New Construction	1	686,457	1,407,045	720,588	104.97%
Brown Kevin P/Dandrea Joseph A Trust	Ownership Change	1	283,406	1,000,000	716,594	252.85%
Subtotal		*15*	*7,225,171*	*19,019,606*	*11,794,435*	*163.24%*
Top Ten Parcels that Decreased in Value						
Lyric Opera San Diego	Increase in Exemption	1	6,528,000	998,784	(5,529,216)	-84.70%
Family Health Centers of San Diego	Increase in Exemption	3	2,465,979	258,839	(2,207,140)	-89.50%
Dzung & Hanh Family Ltd Partnership	Rescission Deed [7]	1	1,000,353	27,386	(972,967)	-97.26%
Kindle Adelaide I Trust	Ownership Change	1	1,080,000	152,997	(927,003)	-85.83%
L-20 LLC	Ownership Change	1	2,699,838	2,142,000	(557,838)	-20.66%
YMCA of San Diego County	Increase in Exemption	1	464,379	0	(464,379)	-100.00%
Investment Property Exchange Services Inc	Ownership Change	2	2,786,190	2,370,480	(415,710)	-14.92%
Buono Guy & Carolyn N Trust 03-06-96	Proposition 60/90 [10]	1	437,737	43,488	(394,249)	-90.07%
Kenny Gerard P Trust 08-09-04	Proposition 8 Reduction	2	849,454	500,000	(349,454)	-41.14%
Taylor Family Trust 07-03-97	Proposition 60/90 [10]	1	389,990	66,842	(323,148)	-82.86%
Subtotal		*14*	*18,701,920*	*6,560,816*	*(12,141,104)*	*-64.92%*
All Other Parcels	NA	3,310	1,081,500,131	1,117,303,644	35,803,513	3.31%
Total		**3,339**	**1,107,427,222**	**1,142,884,066**	**35,456,844**	**3.20%**
Residential						
Increase in Value (Greater Than 2%)		1,117	253,467,205	287,197,025	$33,729,820	13.31%
Increase in Value (Equal to 2%)		1,175	428,133,589	436,695,246	$8,561,657	2.00%
Increase in Value (Less Than 2%)		38	15,494,579	15,617,220	122,641	0.79%
No change in Value [2]		10	2,950,539	2,950,539	0	0.00%
Decrease in Value from Prop 8 Reduction Appeals [3]		7	4,947,207	3,839,000	(1,108,207)	-22.40%
Decrease in Value from Automatic Prop 8 Reductions [4]		218	79,094,129	60,334,067	(18,760,062)	-23.72%
Decrease in Value from Other Assessment Appeals [5]		3	1,245,350	1,042,000	(203,350)	-16.33%
Decrease in Value (Ownership Changed) [6]		53	24,520,139	20,275,229	(4,244,910)	-17.31%
Subtotal		2,621	$809,852,737	$827,950,326	$18,097,589	2.23%
Non-Residential						
Increase in Value (Greater Than 2%)		62	41,798,339	57,688,198	15,889,859	38.02%
Increase in Value (Equal to 2%)		460	188,049,345	191,809,930	3,760,585	2.00%
Increase in Value (Less Than 2%)		13	15,367,772	15,579,325	211,553	1.38%
No change in Value [2]		21	0	0	0	0.00%
Decrease in Value from Prop 8 Reduction Appeals [3]		0	0	0	0	0.00%
Decrease in Value from Automatic Prop 8 Reductions [4]		8	16,957,710	9,829,599	(7,128,111)	-42.03%
Decrease in Value from Other Assessment Appeals [5]		0	0	0	0	0.00%
Decrease in Value (Ownership Changed) [6]		1	343,332	325,000	(18,332)	-5.34%
Decrease in Value - Rescission Deed [7]		1	1,000,353	27,386	(972,967)	-97.26%
Subtotal		566	263,516,851	275,259,438	11,742,587	4.46%
New Residential Parcels [8]		143	NA	35,291,584	35,291,584	NA
New Non-Residential Parcels [8]		9	NA	4,382,718	4,382,718	NA
Superceded Parcels [9]		17	34,057,634	NA	(34,057,634)	NA
Total		**3,339**	**$1,107,427,222**	**$1,142,884,066**	**$35,456,844**	**3.20%**

[1] Assessed values provided by the County Assessor as of 1/1 of the initial year of each fiscal year (i.e. 1/1/08 for FY 2008-2009).
[2] A total of 3 residential parcels and 21 non-residential parcels had a Net Assessed Value of $0. Excludes parcels owned by public agencies based on final FY 2008-09 Assessor's Roll.
[3] Values based on the final Assessor's roll for each fiscal year. The reductions were a result of Proposition 8 appeals by property owners allowing a temporary reduction in assessed value based on decreasing market value.
[4] Based on discussions with the County appraiser, the reductions were due to automatic Proposition 8 reductions allowing a temporary reduction in assessed value based on decreasing market value.
[5] Values were reduced following successful assessment appeals by the property owners. The assessment appeals were not a result of a Proposition 8 temporary reduction in assessed value.
[6] 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.
[7] Based on discussions with the County, the FY 2007-2008 value reflected the market value of the parcel following the sale of the parcel. However, in October 2007, it was determined that the sale had been cancelled and the County reverted the FY 2008-2009 value back to the Base Year value in 2003, escalated annually by 2%.
[8] New parcels for FY 2008-2009 as a result of parcel changes from the prior year.
[9] FY 2007-2008 assessor parcels that did not have matching FY 2008-2009 parcel numbers.
[10] Values were reduced due to Proposition 60/90 following change in ownership. Proposition 60/90 provide for the transfer of a property's base year value from an existing residence to a replacement residence, under certain conditions, for qualified persons over the age of 55 or persons of any age who are severely and permanently disabled.

B. New Development

The table below summarizes new development that may increase assessed values within the Project Area in the future. For purposes of this analysis, however, we have conservatively assumed that there will not be any increase in assessed values for future years as a result of such new development within the Project Area.

Project	Description
North Park Retail Center	Construction of new commercial site containing approximately 14,969 square feet for a new grocery store and retail space. The project began in May 2009 and is anticipated for completion in 14 months with a completed value of approximately $10 million.
Lafayette Hotel	$4 million rehabilitation of 131-room historic hotel. Expected to be approved by the Agency Board in July 2009 with funding to occur in September 2009. Project anticipated for completion by the end of 2010.
North Park Pilot Village	Agency proposing $4 million rehabilitation of commercial properties between Grim and 31st Street on the south side of University Avenue as a keystone project within the pilot village. Several parcels are available for sale and/or lease. No timeline for completion has been established.

The table below summarizes four new affordable housing projects which will result in a reduction of assessed value due to property being classified by the County as non-taxable and removed from the tax roll. It is expected that the four projects will be owned and operated by a tax exempt non-profit entity. For purposes of this analysis, we have assumed a reduction of future assessed value equal to the Fiscal Year 2008-2009 taxable value of such properties.

Project	Description
Pathfinders of San Diego, Inc.	Rehabilitation and conversion of an existing hotel and adjacent property on University Avenue into 16 affordable rental units for men dual-diagnosed for mental and substance abuse problems. Property expected to be purchased and removed from the tax roll by July 2009. Construction expected to commence within three months after closing and completed within twelve months. Value removed from 2009-2010 roll: $1,082,429
Arbor Crest North	Construction of an 83-unit affordable rental complex on Florida Street just south of University. The project includes the removal of 15 substandard residences on a one-acre site. Property was purchased and removed from the tax roll in February 2009. Commencement of construction is uncertain as it is dependent on obtaining tax credit awards. If the award is not received within three years, the deed will return to the Housing Commission, but the property will remain off the tax rolls. Value removed from 2008-2009 roll: $3,527,376
Boulevard at North Park	Proposed affordable housing project on El Cajon Blvd between Florida and Alabama. No timeline established. Value removed from 2009-2010 roll: $4,054,203
3029 University Avenue	The Agency has released a Request for Proposals for the potential development of a 39,400 square foot building located at University Avenue and Ray Street. A non-profit developer could be selected to purchase the building and own and operate the project. No timeline has been established. Value removed from 2009-2010 roll: $1,754,864

C. TAX INCREMENT PROJECTIONS

Table 9 summarizes the Fiscal Year 2008-2009 assessed values and details how the net tax increment is calculated. Table 10 projects the tax increment to be generated by the Project Area through Fiscal Year 2038-2039, which is the last year in which the expected Series 2009 tax allocation bonds will be paid off. DTA has estimated the future tax increment based on the Project Area assessed valuation for Fiscal Year 2008-2009, utilizing the assumptions stated herein regarding current adjustments to the increment. For purposes of this analysis, we are conservatively using the Fiscal Year 2008-2009 County Assessor's secured assessed value, which is lower than the Auditor's secured value, to calculate the projected annual tax increment. The projections are based on the assumption that the value of real property will be reduced annually through Fiscal Year 2011-2012 based on the Assessor's County-wide reduction estimates. For purposes of this analysis, we have assumed that the real property value will remain level thereafter. Actual reductions or increases in assessed value will vary. This real property value is added to the value of other property, which includes secured and unsecured personal property within the Project Area less unsecured exemptions for Fiscal Year 2008-2009. The value of other property is assumed to remain constant throughout the subsequent years. In addition, for purposes of this analysis, we have conservatively assumed that the value reductions resulting from temporary Proposition 8 reductions are permanent and such values are not added back to the projection shown in Table 10. 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 2008-2009 is the actual tax rate. This is assumed to decrease in subsequent years. Unitary revenue and administrative charges result in adjustments to the net tax increment, for which the assumptions were discussed previously. The set aside for low and moderate income housing and the AB 1290 pass through payments are shown as separate line items.

TABLE 9
FY 2008-2009 TAX INCREMENT REVENUE ESTIMATE

	FY 2008-2009 Taxable Value	Base Taxable Value	Incremental Taxable Value
Secured Values [1]			
Land	$627,803,657	$196,484,726	$431,318,931
Improvement	549,805,774	222,640,198	327,165,576
Personal Property	2,134,494	2,523,329	(388,835)
Gross Value	1,179,743,925	421,648,253	758,095,672
Less Exemptions	(36,859,859)	(8,911,306)	(27,948,553)
Total Secured	**1,142,884,066**	**412,736,947**	**730,147,119**
Unsecured Values [2]			
Land	0	0	0
Improvement	6,114,373	4,348,700	1,765,673
Personal Property	12,338,763	6,465,383	5,873,380
Gross Value	18,453,136	10,814,083	7,639,053
Less Exemptions	(1,294,381)	0	(1,294,381)
Total Unsecured	**17,158,755**	**10,814,083**	**6,344,672**
Total Secured and Unsecured	**1,160,042,821**	**423,551,030**	**736,491,791**
Estimated Valuation Adjustments			
Anticipated Value Reduction [4]			(3,527,376)
Assessment Appeal Valuation Reductions:			(48,511,605) [10]
Adjusted Incremental Secured and Unsecured			684,452,810
Gross Increment Revenue @	1.00930% [3]		6,908,182
Unitary Revenue [5]			14,881
Supplemental Roll [6]			0
Offsets to Gross Estimated Revenue			
Administrative Expenses [7]			(69,082)
Net Tax Increment Revenue			6,853,982
Low/Moderate Income Housing Set-Aside Revenue			(1,370,796)
Taxing Agencies Pass Throughs (AB 1290) [8]			(1,381,636)
Payments to Educational Revenue Augmentation Fund (ERAF) [9]			0
Non-Housing Tax Increment Revenue			**4,101,549**

[1] Assessed values provided by the County Assessor as of 1/1/08.
[2] Based on information provided by the County of San Diego Auditor/Controller report "Val File-04 PSWP70@" as of 1/1/08.
[3] The actual tax rate of 1.00930% is used for FY 2008-2009. A 1.00% tax rate is used from FY 2009-2010 to the end of the projection.
[4] Represents estimated reduction in assessed value due to affordable housing projects that will result in property being removed from the tax roll.
[5] Based on information for FY 2007-2008 provided by the County of San Diego Auditor/Controller.
[6] For purposes of this analysis, we have conservatively assumed that the supplemental roll will not add additional revenue.
[7] Estimated at 1.00% of the gross revenue for the Project Area.
[8] Based on 20% of Gross Increment Revenue.
[9] Based on the decision handed down by the superior court in Sacramento on April 30, 2009, the Agency is not obligated to pay the Fiscal Year 2008-2009 ERAF payment.
[10] Based on pending appeals for FY 2007-08 and 2008-09, and appeals which were resolved after the assessor roll was finalized for FY 2008-2009. Actual reduction based on appeals will vary.

D. Limitations

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

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TABLE 4
ASSESSMENT APPEALS
(CONSERVATIVELY ASSUMES ALL PENDING APPEALS ARE RESOLVED AT APPLICANT'S OPINION OF VALUE)

Land Use/Applicant Name	Number of Appeals	Number of Proposition 8 Appeals	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change
FY 2006-07 Appeals						
Pending Appeals	*0*	*0*	*$0*	*$0*	*$0*	*$0*
Resolved Appeals						
Residential						
CYQ LLC	1	1	$1,054,523	$658,000	$1,054,523	$0
FOLEY PROPERTY A SSETS LLC	1	1	$1,310,904	$787,000	$1,310,904	$0
INDIVIDUAL HOMEOWNERS	8	4	$8,808,206	$6,496,605	$8,778,206	($30,000)
Subtotal - Residential	10	6	$11,173,633	$7,941,605	$11,143,633	($30,000)
Non-Residential						
KISER, MILA N & DIANNA	1	1	$1,326,510	$796,000	$1,326,510	$0
LUSTI, ANDRE	2	0	$1,020,000	$350,000	$1,020,000	$0
PNS STORES INC	1	0	$204,467	$380,000	$204,467	$0
Subtotal - Non-Residential	4	1	$2,550,977	$1,526,000	$2,550,977	$0
Subtotal - Resolved Appeals	***14***	***7***	***$13,724,610***	***$9,467,605***	***$13,694,610***	***($30,000)***
Total - Pending Appeals	**0**	**0**	**$0**	**$0**	**$0**	**$0**
Total - Resolved Appeals Prior to Final FY 2008-2009 Assessor Roll	**14**	**7**	**$13,724,610**	**$9,467,605**	**$13,694,610**	**($30,000)**
Total - Resolved Appeals After Final FY 2008-2009 Assessor Roll	**0**	**0**	**$0**	**$0**	**$0**	**$0**
Total - FY 2006-2007 Pending and Resolved Appeals	**14**	**7**	**$13,724,610**	**$9,467,605**	**$13,694,610**	**($30,000)**

Land Use/Applicant Name	Number of Appeals	Number of Proposition 8 Appeals	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change
FY 2007-08 APPEALS						
Pending Appeals						
Residential						
D&A SEMI-A NNUA LMORTGAGE FUND III LP	21	0	$5,310,000	$4,007,220	$4,007,220	($1,302,780)
INDIVIDUAL HOMEOWNERS	28	24	$12,217,094	$9,322,315	$9,322,315	($2,894,779)
Subtotal - Residential	49	24	$17,527,094	$13,329,535	$13,329,535	($4,197,559)
Subtotal - Pending Appeals	***49***	***24***	***$17,527,094***	***$13,329,535***	***$13,329,535***	***($4,197,559)***
Resolved Appeals						
Residential						
TUSCA NNY LLC	1	1	$3,511,350	$2,860,000	$3,511,350	$0
INDIVIDUAL HOMEOWNERS	30	27	$14,276,474	$10,715,078	$12,805,185	($1,471,289)
Subtotal - Residential	31	28	$17,787,824	$13,575,078	$16,316,535	($1,471,289)
Non-Residential						
GARFIELD BEA CHCVS LLC	2	1	$15,800,000	$10,000,000	$15,800,000	$0
KAISER, MILAN	1	1	$1,353,039	$811,000	$1,100,000	($253,039)
MISSISSIPPI A VENUE LLC	2	2	$131,080	$111,418	$131,080	$0
WATERLOO PROPERTIES LLC	1	0	$190,000	$150,000	$170,000	($20,000)
Subtotal - Non-Residential	6	4	$17,474,119	$11,072,418	$17,201,080	($273,039)
Subtotal - Resolved Appeals	***37***	***32***	***$35,261,943***	***$24,647,496***	***$33,517,615***	***($1,744,328)***
Total - Pending Appeals	**49**	**24**	**$17,527,094**	**$13,329,535**	**$13,329,535**	**($4,197,559)**
Total - Resolved Appeals Prior to Final FY 2008-2009 Assessor Roll	**13**	**10**	**$4,812,173**	**$3,728,729**	**$4,630,909**	**($181,264)**
Total - Resolved Appeals After Final FY 2008-2009 Assessor Roll	**24**	**22**	**$30,449,770**	**$20,918,767**	**$28,886,706**	**($1,563,064)**
Total - FY 2007-08 Pending and Resolved Appeals	**86**	**56**	**$52,789,037**	**$37,977,031**	**$46,847,150**	**($5,941,887)**

Land Use/Applicant Name	Number of Appeals	Number of Proposition 8 Appeals	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change
FY 2008-09 APPEALS						
Pending Appeals						
Residential						
2911 ADAMSAVELLC	1	1	$306,000	$223,512	$223,512	($82,488)
4438 OHIO LLC	1	1	$1,810,956	$1,250,000	$1,250,000	($560,956)
4724 30TH STREET LLC	1	1	$1,196,460	$938,400	$938,400	($258,060)
ALLEMOC PROPERTIES LLC	1	1	$649,458	$450,000	$450,000	($199,458)
CARTER REESE NO 18 LP	2	2	$564,158	$540,000	$540,000	($24,158)
CMC FAMILY LIMITED PARTNERSHIP	1	1	$936,360	$780,000	$780,000	($156,360)
FOLEY PROPERTY ASSETSLLC	1	1	$1,363,862	$546,000	$546,000	($817,862)
L-20 LLC	2	2	$3,324,272	$2,217,347	$2,217,347	($1,106,925)
LCD ENTERPRISES LLC	1	1	$1,380,098	$1,251,160	$1,251,160	($128,938)
LUSTI MADISONLP	2	2	$3,335,482	$2,635,028	$2,635,028	($700,454)
NORFOLK TERRACE PROPERTIES LLC	1	1	$300,900	$156,578	$156,578	($144,322)
PERIG PROPERTIES, LLC	2	2	$2,338,049	$1,267,055	$1,267,055	($1,070,994)
UPTOWN COMMUNITIES LLC	3	3	$1,628,950	$1,040,000	$1,040,000	($588,950)
INDIVIDUAL HOMEOWNERS	219	217	$97,262,081	$72,111,887	$72,111,887	($25,150,194)
Subtotal - Residential	238	236	$116,397,086	$85,406,967	$85,406,967	($30,990,119)
Non-Residential						
2602 ADAMSLLC	1	1	$806,517	$484,000	$484,000	($322,517)
7-ELEVEN, INC. #16073	1	1	$714,060	$448,500	$448,500	($265,560)
AMPROP NORTH PARK LLC	3	3	$4,065,134	$3,078,663	$3,078,663	($986,471)
BLUE SYCAMORE LLC	1	1	$897,522	$761,275	$761,275	($136,247)
CHERIF , JAMEL	5	5	$3,481,157	$2,436,808	$2,436,808	($1,044,349)
KINDRED HEALTHCARE, INC	1	1	$5,758,372	$4,040,458	$4,040,458	($1,717,914)
LUSTI , ANDRE	2	2	$1,061,207	$385,000	$385,000	($676,207)
MCEWANOTAY LLC	1	1	$6,485,000	$5,099,000	$5,099,000	($1,386,000)
MJK OCEANSIDEREAL ESTATE HOLDING CO.	1	1	$1,061,207	$375,000	$375,000	($686,207)
MJK 30TH REAL ESTATE HOLDING CO.	1	1	$728,000	$583,333	$583,333	($144,667)
NORTH PARK RETAIL PARTNERS LP	1	1	$2,078,718	$1,000,000	$1,000,000	($1,078,718)
SHAH, NITA	1	1	$675,000	$472,500	$472,500	($202,500)
SLOMAN, PAUL	1	0	$750,000	$640,000	$640,000	($110,000)
SPITZER , CHARLES	1	0	$787,986	$200,000	$200,000	($587,986)
SUPERVALU INC.	1	1	$8,219,160	$6,165,000	$6,165,000	($2,054,160)
WOODS , JOHN	1	1	$936,360	$600,000	$600,000	($336,360)
Subtotal - Non-Residential	23	21	$38,505,400	$26,769,537	$26,769,537	($11,735,863)
Subtotal - Pending Appeals	***261***	***257***	***$154,902,486***	***$112,176,504***	***$112,176,504***	***($42,725,982)***
Resolved Appeals						
Residential						
INDIVIDUAL HOMEOWNER	1	1	$225,000	$190,000	$200,000	($25,000)
Subtotal - Residential	1	1	$225,000	$190,000	$200,000	($25,000)
Non-Residential						

Land Use/Applicant Name	Number of Appeals	Number of Proposition 8 Appeals	Assessed Value	Applicants Opinion of Value	Resolved / Pending Value [1]	Impact/Value Change
NICHOLAS, LINDA	3	3	$900,526	$679,113	$900,526	$0
Subtotal - Non-Residential	3	3	$900,526	$679,113	$900,526	$0
Subtotal - Resolved Appeals	***4***	***4***	***$1,125,526***	***$869,113***	***$1,100,526***	***($25,000)***
Total - Pending Appeals	**261**	**257**	**$154,902,486**	**$112,176,504**	**$112,176,504**	**($42,725,982)**
Total - Resolved Appeals Prior to Final FY 2008-2009 Assessor Roll	**0**	**0**	**$0**	**$0**	**$0**	**$0**
Total - Resolved Appeals After Final FY 2008-2009 Assessor Roll	**4**	**4**	**$1,125,526**	**$869,113**	**$1,100,526**	**($25,000)**
Total - FY 2008-09 Pending and Resolved Appeals	**265**	**261**	**$156,028,012**	**$113,045,617**	**$113,277,030**	**($42,750,982)**

Grand Total - Pending Appeals	**310**	**281**	**$172,429,580**	**$125,506,039**	**$125,506,039**	**($46,923,541)**
Grand Total - Resolved Appeals Prior to Final FY 2008-2009 Assessor Roll	**27**	**17**	**$18,536,783**	**$13,196,334**	**$18,325,519**	**($211,264)**
Grand Total - Resolved Appeals After Final FY 2008-2009 Assessor Roll	**28**	**26**	**$31,575,296**	**$21,787,880**	**$29,987,232**	**($1,588,064)**
GRAND TOTAL - Pending and Resolved Appeals	**365**	**324**	**$222,541,659**	**$160,490,253**	**$173,818,790**	**($48,722,869)**

[1] For any appeals that have not been resolved at this time, DTA has conservatively assumed the appeal was resolved in favor of the applicant and the contested value was reduced to the applicant's opinion of value. On average, the applicant's opinion of value is equal to 72% of the contested value.

TABLE 10
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:		**YEAR 10** 2008 2009	2009 2010	2010 2011	2011 2012	2012 2013	2013 2014	2014 2015
Real Property [1]		$1,146,863,945	$1,094,824,964	$1,051,031,965	$1,019,501,006	$999,110,986	$999,110,986	$999,110,986
Anticipated Value Reduction [2]		(3,527,376)	(6,891,496)	0	0	0	0	0
Assumed Appeals/Prop 8 Reductions Impact [3]		(48,511,605)	(36,901,503)	(31,530,959)	(20,390,020)	0	0	0
Total Real Property		1,094,824,964	1,051,031,965	1,019,501,006	999,110,986	999,110,986	999,110,986	999,110,986
Total Other Property [4]		13,178,876	13,178,876	13,178,876	13,178,876	13,178,876	13,178,876	13,178,876
Total Value		**1,108,003,840**	**1,064,210,841**	**1,032,679,882**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**
Incremental Value Over 1998-1999 Base of:	$423,551,030	684,452,810	640,659,811	609,128,852	588,738,832	588,738,832	588,738,832	588,738,832
Gross Revenue [5]		6,908,182	6,406,598	6,091,289	5,887,388	5,887,388	5,887,388	5,887,388
Unitary Revenue		14,881	14,881	14,881	14,881	14,881	14,881	14,881
Adjustments to Gross Revenue								
Supplemental Roll		0	0	0	0	0	0	0
Property Tax Administrative Fee [6]		(69,082)	(64,066)	(60,913)	(58,874)	(58,874)	(58,874)	(58,874)
Net Tax Increment Revenue		6,853,982	6,357,414	6,045,257	5,843,396	5,843,396	5,843,396	5,843,396
Low/Moderate Income Housing Set-Aside Revenue		(1,370,796)	(1,271,483)	(1,209,051)	(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)
Taxing Agencies Pass Through (AB 1290) Tier 1 [7]		(1,381,636)	(1,281,320)	(1,218,258)	(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)
Taxing Agencies Pass Through (AB 1290) Tier 2 [7]		0	0	0	0	0	0	0
Taxing Agencies Pass Through (AB 1290) Tier 3 [7]		0	0	0	0	0	0	0
Payments to Educational Revenue Augmentation Fund (ERAF) [8]		0	0	0	0	0	0	0
Non-Housing Tax Increment Revenue		**4,101,549**	**3,804,611**	**3,617,948**	**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2008-2009. Secured value provided by the County Assessor as of 1/1/08. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/08.

[2] Represents estimated reduction in assessed value due to affordable housing projects that will result in property being removed from the tax roll.

[3] FY 2008-2009 reduction based on pending appeals for FY 2007-08 and 2008-09, and appeals which were resolved after the assessor roll was finalized for FY 2008-2009. Based on conversations with the County of San Diego's head appraiser, we have assumed a reduction in Total Real Property value from Proposition 8 and appeals of 4%, 3% and 2% for FY 2009-2010, FY 2010-2011, and FY 2011-2012, respectively. Actual reduction from Proposition 8 and appeals will vary.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2008-2009. Secured value based on the final FY 2008-09 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 2008-2009. A 1.00% tax rate is used from FY 2009-2010 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Based on 20% of "Gross Revenue" through FY 2032-2033. In addition, 16.8% of Gross Revenue is included from FY 2009-2010 through FY 2032-2033 using Year 10 as a base value and 11.2% of Gross Revenue is included from FY 2029-2030 through FY 2032-2033 using Year 30 as a base value.

[8] Based on the decision handed down by the superior court in Sacramento on April 30, 2009, the Agency is not obligated to pay the Fiscal Year 2008-2009 ERAF payment.

TABLE 10
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:		2015 2016	2016 2017	2017 2018	2018 2019	2019 2020	2020 2021	2021 2022
Real Property [1]		$999,110,986	$999,110,986	$999,110,986	$999,110,986	$999,110,986	$999,110,986	$999,110,986
Anticipated Value Reduction [2]		0	0	0	0	0	0	0
Assumed Appeals/Prop 8 Reductions Impact [3]		0	0	0	0	0	0	0
Total Real Property		999,110,986	999,110,986	999,110,986	999,110,986	999,110,986	999,110,986	999,110,986
Total Other Property [4]		13,178,876	13,178,876	13,178,876	13,178,876	13,178,876	13,178,876	13,178,876
Total Value		**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**
Incremental Value Over 1998-1999 Base of:	$423,551,030	588,738,832	588,738,832	588,738,832	588,738,832	588,738,832	588,738,832	588,738,832
Gross Revenue [5]		5,887,388	5,887,388	5,887,388	5,887,388	5,887,388	5,887,388	5,887,388
Unitary Revenue		14,881	14,881	14,881	14,881	14,881	14,881	14,881
Adjustments to Gross Revenue								
Supplemental Roll		0	0	0	0	0	0	0
Property Tax Administrative Fee [6]		(58,874)	(58,874)	(58,874)	(58,874)	(58,874)	(58,874)	(58,874)
Net Tax Increment Revenue		5,843,396	5,843,396	5,843,396	5,843,396	5,843,396	5,843,396	5,843,396
Low/Moderate Income Housing Set-Aside Revenue		(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)
Taxing Agencies Pass Through (AB1290) Tier 1 [7]		(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)
Taxing Agencies Pass Through (AB1290) Tier 2 [7]		0	0	0	0	0	0	0
Taxing Agencies Pass Through (AB1290) Tier 3 [7]		0	0	0	0	0	0	0
Payments to Educational Revenue Augmentation Fund (ERAF) [8]		0	0	0	0	0	0	0
Non-Housing Tax Increment Revenue		**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2008-2009. Secured value provided by the County Assessor as of 1/1/08. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/08.

[2] Represents estimated reduction in assessed value due to affordable housing projects that will result in property being removed from the tax roll.

[3] FY 2008-2009 reduction based on pending appeals for FY 2007-08 and 2008-09, and appeals which were resolved after the assessor roll was finalized for FY 2008-2009. Based on conversations with the County of San Diego's head appraiser, we have assumed a reduction in Total Real Property value from Proposition 8 and appeals of 4%, 3% and 2% for FY 2009-2010, FY 2010-2011, and FY 2011-2012, respectively. Actual reduction from Proposition 8 and appeals will vary.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2008-2009. Secured value based on the final FY 2008-09 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 2008-2009. A 1.00% tax rate is used from FY 2009-2010 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Based on 20% of "Gross Revenue" through FY 2032-2033. In addition, 16.8% of Gross Revenue is included from FY 2009-2010 through FY 2032-2033 using Year 10 as a base value and 11.2% of Gross Revenue is included from FY 2029-2030 through FY 2032-2033 using Year 30 as a base value.

[8] Based on the decision handed down by the superior court in Sacramento on April 30, 2009, the Agency is not obligated to pay the Fiscal Year 2008-2009 ERAF payment.

TABLE 10
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:		2022 2023	2023 2024	2024 2025	2025 2026	2026 2027	2027 2028	**YEAR 30** 2028 2029
Real Property [1]		$999,110,986	$999,110,986	$999,110,986	$999,110,986	$999,110,986	$999,110,986	$999,110,986
Anticipated Value Reduction [2]		0	0	0	0	0	0	0
Assumed Appeals/Prop 8 Reductions Impact [3]		0	0	0	0	0	0	0
Total Real Property		999,110,986	999,110,986	999,110,986	999,110,986	999,110,986	999,110,986	999,110,986
Total Other Property [4]		13,178,876	13,178,876	13,178,876	13,178,876	13,178,876	13,178,876	13,178,876
Total Value		**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**
Incremental Value Over 1998-1999 Base of:	$423,551,030	588,738,832	588,738,832	588,738,832	588,738,832	588,738,832	588,738,832	588,738,832
Gross Revenue [5]		5,887,388	5,887,388	5,887,388	5,887,388	5,887,388	5,887,388	5,887,388
Unitary Revenue		14,881	14,881	14,881	14,881	14,881	14,881	14,881
Adjustments to Gross Revenue								
Supplemental Roll		0	0	0	0	0	0	0
Property Tax Administrative Fee [6]		(58,874)	(58,874)	(58,874)	(58,874)	(58,874)	(58,874)	(58,874)
Net Tax Increment Revenue		5,843,396	5,843,396	5,843,396	5,843,396	5,843,396	5,843,396	5,843,396
Low/Moderate Income Housing Set-Aside Revenue		(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)
Taxing Agencies Pass Through (AB 1290) Tier 1 [7]		(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)
Taxing Agencies Pass Through (AB 1290) Tier 2 [7]		0	0	0	0	0	0	0
Taxing Agencies Pass Through (AB 1290) Tier 3 [7]		0	0	0	0	0	0	0
Payments to Educational Revenue Augmentation Fund (ERAF) [8]		0	0	0	0	0	0	0
Non-Housing Tax Increment Revenue		**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2008-2009. Secured value provided by the County Assessor as of 1/1/08. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/08.

[2] Represents estimated reduction in assessed value due to affordable housing projects that will result in property being removed from the tax roll.

[3] FY 2008-2009 reduction based on pending appeals for FY 2007-08 and 2008-09, and appeals which were resolved after the assessor roll was finalized for FY 2008-2009. Based on conversations with the County of San Diego's head appraiser, we have assumed a reduction in Total Real Property value from Proposition 8 and appeals of 4%, 3% and 2% for FY 2009-2010, FY 2010-2011, and FY 2011-2012, respectively. Actual reduction from Proposition 8 and appeals will vary.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2008-2009. Secured value based on the final FY 2008-09 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 2008-2009. A 1.00% tax rate is used from FY 2009-2010 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Based on 20% of "Gross Revenue" through FY 2032-2033. In addition, 16.8% of Gross Revenue is included from FY 2009-2010 through FY 2032-2033 using Year 10 as a base value and 11.2% of Gross Revenue is included from FY 2029-2030 through FY 2032-2033 using Year 30 as a base value.

[8] Based on the decision handed down by the superior court in Sacramento on April 30, 2009, the Agency is not obligated to pay the Fiscal Year 2008-2009 ERAF payment.

TABLE 10
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:		2029 2030	2030 2031	2031 2032	2032 2033	2033 2034	2034 2035	2035 2036
Real Property [1]		$999,110,986	$999,110,986	$999,110,986	$999,110,986	$999,110,986	$999,110,986	$999,110,986
Anticipated Value Reduction [2]		0	0	0	0	0	0	0
Assumed Appeals/Prop 8 Reductions Impact [3]		0	0	0	0	0	0	0
Total Real Property		999,110,986	999,110,986	999,110,986	999,110,986	999,110,986	999,110,986	999,110,986
Total Other Property [4]		13,178,876	13,178,876	13,178,876	13,178,876	13,178,876	13,178,876	13,178,876
Total Value		**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**	**1,012,289,862**
Incremental Value Over 1998-1999 Base of:	$423,551,030	588,738,832	588,738,832	588,738,832	588,738,832	588,738,832	588,738,832	588,738,832
Gross Revenue [5]		5,887,388	5,887,388	5,887,388	5,887,388	5,887,388	5,887,388	5,887,388
Unitary Revenue		14,881	14,881	14,881	14,881	14,881	14,881	14,881
Adjustments to Gross Revenue								
Supplemental Roll		0	0	0	0	0	0	0
Property Tax Administrative Fee [6]		(58,874)	(58,874)	(58,874)	(58,874)	(58,874)	(58,874)	(58,874)
Net Tax Increment Revenue		5,843,396	5,843,396	5,843,396	5,843,396	5,843,396	5,843,396	5,843,396
Low/Moderate Income Housing Set-Aside Revenue		(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)	(1,168,679)
Taxing Agencies Pass Through (AB1290) Tier 1 [7]		(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)	(1,177,478)
Taxing Agencies Pass Through (AB1290) Tier 2 [7]		0	0	0	0	0	0	0
Taxing Agencies Pass Through (AB1290) Tier 3 [7]		0	0	0	0	0	0	0
Payments to Educational Revenue Augmentation Fund (ERAF) [8]		0	0	0	0	0	0	0
Non-Housing Tax Increment Revenue		**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**	**3,497,239**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2008-2009. Secured value provided by the County Assessor as of 1/1/08. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/08.

[2] Represents estimated reduction in assessed value due to affordable housing projects that will result in property being removed from the tax roll.

[3] FY 2008-2009 reduction based on pending appeals for FY 2007-08 and 2008-09, and appeals which were resolved after the assessor roll was finalized for FY 2008-2009. Based on conversations with the County of San Diego's head appraiser, we have assumed a reduction in Total Real Property value from Proposition 8 and appeals of 4%, 3% and 2% for FY 2009-2010, FY 2010-2011, and FY 2011-2012, respectively. Actual reduction from Proposition 8 and appeals will vary.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2008-2009. Secured value based on the final FY 2008-09 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 2008-2009. A 1.00% tax rate is used from FY 2009-2010 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Based on 20% of "Gross Revenue" through FY 2032-2033. In addition, 16.8% of Gross Revenue is included from FY 2009-2010 through FY 2032-2033 using Year 10 as a base value and 11.2% of Gross Revenue is included from FY 2029-2030 through FY 2032-2033 using Year 30 as a base value.

[8] Based on the decision handed down by the superior court in Sacramento on April 30, 2009, the Agency is not obligated to pay the Fiscal Year 2008-2009 ERAF payment.

TABLE 10
TAX INCREMENT REVENUE PROJECTION

Fiscal Year Ending:		2036 2037	2037 2038	2038 2039
Real Property [1]		$999,110,986	$999,110,986	$999,110,986
Anticipated Value Reduction [2]		0	0	0
Assumed Appeals/Prop 8 Reductions Impact [3]		0	0	0
Total Real Property		999,110,986	999,110,986	999,110,986
Total Other Property [4]		13,178,876	13,178,876	13,178,876
Total Value		**1,012,289,862**	**1,012,289,862**	**1,012,289,862**
Incremental Value Over 1998-1999 Base of:	$423,551,030	588,738,832	588,738,832	588,738,832
Gross Revenue [5]		5,887,388	5,887,388	5,887,388
Unitary Revenue		14,881	14,881	14,881
Adjustments to Gross Revenue				
Supplemental Roll		0	0	0
Property Tax Administrative Fee [6]		(58,874)	(58,874)	(58,874)
Net Tax Increment Revenue		5,843,396	5,843,396	5,843,396
Low/Moderate Income Housing Set-Aside Revenue		(1,168,679)	(1,168,679)	(1,168,679)
Taxing Agencies Pass Through (AB 1290) Tier 1 [7]		(1,177,478)	(1,177,478)	(1,177,478)
Taxing Agencies Pass Through (AB 1290) Tier 2 [7]		0	0	0
Taxing Agencies Pass Through (AB 1290) Tier 3 [7]		0	0	0
Payments to Educational Revenue Augmentation Fund (ERAF) [8]		0	0	0
Non-Housing Tax Increment Revenue		**3,497,239**	**3,497,239**	**3,497,239**

[1] Includes secured and unsecured land and improvement value in the Project less secured exemptions for FY 2008-2009. Secured value provided by the County Assessor as of 1/1/08. Unsecured value provided by the County of San Diego Auditor/Controller Report "Val File-04 PSVVP70@" as of 1/1/08.

[2] Represents estimated reduction in assessed value due to affordable housing projects that will result in property being removed from the tax roll.

[3] FY 2008-2009 reduction based on pending appeals for FY 2007-08 and 2008-09, and appeals which were resolved after the assessor roll was finalized for FY 2008-2009. Based on conversations with the County of San Diego's head appraiser, we have assumed a reduction in Total Real Property value from Proposition 8 and appeals of 4%, 3% and 2% for FY 2009-2010, FY 2010-2011, and FY 2011-2012, respectively. Actual reduction from Proposition 8 and appeals will vary.

[4] Includes secured and unsecured personal property value in the Project less unsecured exemptions for FY 2008-2009. Secured value based on the final FY 2008-09 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 2008-2009. A 1.00% tax rate is used from FY 2009-2010 to the end of the projection.

[6] Estimated at 1.00 percent of gross revenue for the Project Area.

[7] Based on 20% of "Gross Revenue" through FY 2032-2033. In addition, 16.8% of Gross Revenue is included from FY 2009-2010 through FY 2032-2033 using Year 10 as a base value and 11.2% of Gross Revenue is included from FY 2029-2030 through FY 2032-2033 using Year 30 as a base value.

[8] Based on the decision handed down by the superior court in Sacramento on April 30, 2009, the Agency is not obligated to pay the Fiscal Year 2008-2009 ERAF payment.

APPENDIX E

FORM OF BOND COUNSEL'S OPINION

[Closing Date]

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

Re: $__________ *Redevelopment Agency of the City of San Diego North Park Redevelopment Project Subordinate Tax Allocation Bonds, Series 2009A*

Ladies and Gentlemen:

We have examined certified copies of proceedings of the Redevelopment Agency of the City of San Diego (the "Agency"), and other information and documents submitted to us relative to the issuance and sale by the Agency of its North Park Redevelopment Project Subordinate Tax Allocation Bonds, Series 2009A in the aggregate principal amount of $__________ (the "2009A Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Agency and the initial purchasers of the 2009A Bonds. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2009A Bonds have been issued pursuant to the authority contained in Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Act"), a resolution of the Agency adopted on June __, 2009, and in accordance with the terms and conditions of an Indenture of Trust dated as of July 1, 2009 (the "Indenture"), by and between the Agency and Wells Fargo Bank, National Association, as trustee. All terms not defined herein have the meanings ascribed to those terms in the Indenture.

Based upon our examination of all 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 2009A Bonds have been duly and validly authorized by the Agency and are valid and binding special obligations of the Agency and, except as specifically limited in the Indenture, payable solely from Tax Revenues (as defined in the Indenture) and other sources as and to the extent provided for in the Indenture. The 2009A Bonds are enforceable in accordance with their terms and the terms of the Indenture, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other laws affecting creditors' rights generally and by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on remedies against public agencies in the State of California.

2. The Indenture has been duly authorized by the Agency, is valid and binding upon the Agency and is enforceable in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization moratorium, fraudulent conveyance or transfer or 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) on the 2009A Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations and, with respect to corporations, will not be included as an adjustment in the calculation of alternative minimum taxable income.

4. Interest on the 2009A Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a 2009A Bond (the first price at which a substantial amount of the 2009A Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such 2009A 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 2009A 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 3 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 2009A Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2009A Bond premium which must be amortized under Section 171 of the Code; such amortizable 2009A Bond premium reduces the Bond owner's basis in the applicable 2009A 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 2009A Bond premium may result in a Bondowner realizing a taxable gain when a 2009A Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the 2009A Bond to the owner.

The opinions set forth in paragraphs (3) and (5) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2009A 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 2009A Bonds to assure that 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 2009A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2009A Bonds. The Agency has covenanted to comply with all such requirements. Except as set forth in paragraphs (3), (4), (5) and (6) above, we express no opinion as to any tax consequences related to the 2009A Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate executed by the Agency and other documents related to the 2009A Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on any 2009A Bond if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction and express no opinion as to the enforceability of the choice of law provisions contained in the Indenture.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2009A Bonds and expressly disclaim any duty to advise the Owners of the 2009A 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
NORTH PARK REDEVELOPMENT PROJECT
SUBORDINATE TAX ALLOCATION BONDS, SERIES 2009A

This Continuing Disclosure Certificate, dated as of July 1, 2009 (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 North Park Redevelopment Project Subordinate Tax Allocation Bonds, Series 2009A (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of July 1, 2009 (the "Indenture"), between the Agency and the Wells Fargo Bank, National Association, as trustee. In connection therewith, the Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined herein).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean the Agency, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system, and any other Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently recognized by the Securities and Exchange Commission are set forth in the SEC website located at http://www.sec.gov/info/municipal/nrmsir.htm.

"Official Statement" means the Official Statement, dated July __, 2009, 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 2008-09 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to such date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Agency and shall have no duty or obligation to review such Annual Report.

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board and any appropriate State Repository.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the Agency, and such information is available to it, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official

Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial information and operating data with respect to the Redevelopment Project for the prior Fiscal Year of the type included in the Official Statement, in the following categories (to the extent not included in the Agency's audited financial statements): (i) aggregate assessed values of the Project Area; (ii) list of top ten largest local secured property taxpayers within the Project Area; (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 in Table 8 under the Section entitled "THE PROJECT AREA—Debt Service Coverage" and (iv) a description of outstanding indebtedness payable from Tax Revenues issued during such Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Repositories. The Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Principal and interest payment delinquencies.
(2) Non–payment related defaults.
(3) Unscheduled draws on debt service reserves reflecting financial difficulties.
(4) Unscheduled draws on credit enhancements reflecting financial difficulties.
(5) Substitution of credit or liquidity providers, or their failure to perform.
(6) Adverse tax opinions or events affecting the tax–exempt status of the security.
(7) Modifications to rights of security holders.
(8) Contingent or unscheduled bond calls.
(9) Defeasances.
(10) Release, substitution, or sale of property securing repayment of the securities.
(11) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

(d) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the delivery to the Agency and the Dissemination Agent (if not the same as the Agency) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Agency. The Dissemination Agent, if other than the Agency, may resign as Dissemination Agent by providing thirty days written notice to the Agency and the Trustee. The Dissemination Agent, if other than the Agency, shall not be responsible for the content of any report or notice prepared by the Agency. The Dissemination Agent , if other than the Agency, shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Agency in a timely manner and in a form suitable for filing.

The Agency may satisfy its obligations hereunder to file any notice, document or information with a National Repository or State Repository by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such National Repository or State Repository, to the extent permitted by the SEC or SEC staff or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the dissemination agent or conduit has received an interpretive letter, which has not been revoked, from the SEC staff to the effect that using the agent or conduit to transmit information to the National Repository and State Repository will be treated for purposes of the Rule as if such information were transmitted directly to the National Repository and State Repository.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived (provided no amendment that modifies or increases its duties or obligations of the Dissemination Agent shall be effective without the consent of the Dissemination Agent), provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

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

Section 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Bondholders, or any other party. Other than in the case of the negligence or willful misconduct of the Dissemination Agent, the Dissemination Agent shall not have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from any breach of any obligation of the Dissemination Agent. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

REDEVELOPMENT AGENCY OF THE
CITY OF SAN DIEGO

By: ______________________________

Its: ______________________________

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APPENDIX G

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX G HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NY, 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 MILL 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.