



# City of La Quinta

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## SUCCESSOR AGENCY To The La Quinta Redevelopment Agency AGENDA

CITY HALL COUNCIL CHAMBERS  
78-495 Calle Tampico, La Quinta

**SPECIAL MEETING ON TUESDAY, JULY 5, 2016 AT 4:00 P.M.**

### **CALL TO ORDER**

ROLL CALL:

Agency Members: Franklin, Osborne, Peña, Radi, Chairperson Evans

### **CONFIRMATION OF AGENDA**

**CLOSED SESSION** - NONE

### **PUBLIC COMMENT ON MATTERS NOT ON THE AGENDA**

At this time, members of the public may address the Successor Agency on any matter not listed on the agenda. Please complete a "request to speak" form and limit your comments to three minutes. The Successor Agency values your comments; however in accordance with State law, no action shall be taken on any item not appearing on the agenda unless it is an emergency item authorized by GC 54954.2(b).

### **ANNOUNCEMENTS, PRESENTATIONS AND WRITTEN COMMUNICATIONS** - NONE

### **CONSENT CALENDAR**

NOTE: Consent Calendar items are routine in nature and can be approved by one motion.

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1. APPROVE MINUTES OF JANUARY 19, 2016	5
2. ADOPT A RESOLUTION APPROVING A BOND EXPENDITURE AGREEMENT WITH THE CITY OF LA QUINTA, THE LA QUINTA HOUSING AUTHORITY, AND THE SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY TO FACILITATE	7

THE EXPENDITURE OF EXCESS BOND PROCEEDS (Resolution No. SA 2016-003)

- 3. ADOPT A RESOLUTION FOR ISSUANCE AND SALE OF SUBORDINATE TAX ALLOCATION REFUNDING BONDS (Resolution No. SA 2016-004) 23

**BUSINESS SESSION** - NONE

**STUDY SESSION** - NONE

**PUBLIC HEARINGS** - NONE

**DEPARTMENTAL REPORTS** - NONE

**CHAIR AND BOARD MEMBERS' ITEMS**

**REPORTS AND INFORMATIONAL ITEMS** - NONE

**ADJOURNMENT**

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For information about the next special meeting of the *City as Successor Agency to the La Quinta Redevelopment Agency*, please contact the City Clerk's Office at 760-777-7000.

**DECLARATION OF POSTING**

I, Susan Maysels, Agency Secretary of the *City as Successor Agency to the La Quinta Redevelopment Agency*, do hereby declare that the foregoing agenda was posted near the entrance to the Council Chambers at 78-495 Calle Tampico and on the bulletin boards at the La Quinta Cove Post Office at 51-321 Avenida Bermudas and at the Stater Brothers Supermarket at 78-630 Highway 111, on July 1, 2016.

DATED: July 1, 2016

*Teresa Thompson for Susan Maysels*

SUSAN MAYSELS, Agency Secretary  
Successor Agency to the  
La Quinta Redevelopment Agency

### **Public Notices**

- The La Quinta City Council Chamber is handicapped accessible. If special equipment is needed for the hearing impaired, please call the City Clerk's Office at 777-7103, twenty-four (24) hours in advance of the meeting and accommodations will be made.
- If special electronic equipment is needed to make presentations to the Successor Agency, arrangement should be made in advance by contacting the City Clerk's Office at 777-7103. A one (1) week notice is required.
- If background material is to be presented to the Successor Agency during a meeting, please be advised that eight (8) copies of all documents, exhibits, etc., must be supplied to the City Clerk for distribution. It is requested that this take place prior to the beginning of the meeting.
- Any writings or documents provided to a majority of the Successor Agency regarding any item on this agenda will be made available for public inspection at the City Clerk counter at City Hall located at 78-495 Calle Tampico, La Quinta, California, 92253, during normal business hours.



**SUCCESSOR AGENCY TO THE  
LA QUINTA REDEVELOPMENT AGENCY  
MINUTES  
TUESDAY, JANUARY 19, 2016**

A regular meeting of the La Quinta City Council in their capacity as Successor Agency to the La Quinta Redevelopment Agency (“SA”) was called to order at 8:43 pm by Chairperson Evans.

PRESENT: Agency Members Franklin, Osborne, Peña, Radi, Chairperson Evans  
ABSENT: None

**CONFIRMATION OF AGENDA** - Confirmed

**CLOSED SESSION** - None

**PUBLIC COMMENT ON MATTERS NOT ON THE AGENDA** – None

**ANNOUNCEMENTS, PRESENTATIONS AND WRITTEN COMMUNICATIONS** – None

**CONSENT CALENDAR**

1. **APPROVE MINUTES OF SEPTEMBER 15, 2015 4-0 abstain**
2. **ADOPT A RESOLUTION APPROVING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE OF THE FORMER LA QUINTA REDEVELOPMENT AGENCY FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2017 [RESOLUTION SA 2016-001]**
3. **ADOPT A RESOLUTION APPROVING THE SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD OF JULY 1, 2016 THROUGH JUNE 30, 2017 [RESOLUTION SA 2016-002]**

**MOTION** – A motion was made and seconded by Agency Members Radi/Franklin to approve Consent Calendar Item No. 1 as written. Motion passed: ayes 4, noes 0, abstain 1 (Osborne)

**MOTION** – A motion was made and seconded by Agency Members Radi/Franklin to approve Consent Calendar Item Nos. 2 and 3, adopting Resolutions SA 2016-001 and SA 2019-002 as recommended. Motion passed unanimously.

**BUSINESS SESSION** – None

**STUDY SESSION** – None

**PUBLIC HEARINGS** – None

**DEPARTMENTAL REPORTS** - None

**CHAIR AND BOARD MEMBERS' ITEMS** – None

**REPORTS AND INFORMATIONAL ITEMS** – None

**ADJOURNMENT**

There being no further business, it was moved and seconded by Agency Members Peña/Franklin to adjourn at 8:44 p.m. Motion passed unanimously.

Respectfully submitted,

SUSAN MAYSELS, Agency Secretary  
Successor Agency to the dissolved  
La Quinta Redevelopment Agency

# City of La Quinta

SUCCESSOR AGENCY MEETING: July 5, 2016

## STAFF REPORT

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**AGENDA TITLE:** ADOPT A RESOLUTION APPROVING A BOND EXPENDITURE AGREEMENT WITH THE CITY OF LA QUINTA, THE LA QUINTA HOUSING AUTHORITY, AND THE SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY TO FACILITATE THE EXPENDITURE OF EXCESS BOND PROCEEDS

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### RECOMMENDATION

Adopt a Resolution approving a Bond Expenditure Agreement by and between the City of La Quinta, the La Quinta Housing Authority, and the Successor Agency to the La Quinta Redevelopment Agency.

### EXECUTIVE SUMMARY

- The Successor Agency to the La Quinta Redevelopment Agency (Successor Agency) received its finding of completion from the California Department of Finance (DOF) on November 6, 2013.
- The Dissolution Act allows a Successor Agency that has received a finding of completion to enter into agreements with City or Housing Authority as appropriate to expend excess bond proceeds in a manner consistent with the original bond covenants.
- The Oversight Board is required to approve the expenditure agreement prior to submitting to DOF for final approval.
- The expenditure agreement will be included as an enforceable obligation on Recognized Obligation Payments Schedule (ROPS) 2017/18 and will enable the Successor Agency to proceed with its submittal of a last and final ROP's.

### FISCAL IMPACT

This agreement will facilitate the expenditure of bond proceeds for their originally intended purpose.

### BACKGROUND/ANALYSIS

The Successor Agency received its finding of completion from DOF on November 6, 2013. In September of 2015, Senate Bill 107 was enacted that allows for the expenditure of 100% of 2011 Housing Bond Proceeds and a portion of the 2011 Non-Housing Bond Proceeds. The Dissolution Act allows Successor Agencies that received a finding of

completion to enter into bond proceeds agreements to expend excess proceeds in a manner consistent with the original bond covenants.

Housing Bond Proceeds totaling \$27,761,073 would be transferred to the Housing Authority as follows:

- Project Areas No. 1 and 2 Refunding Bonds, 2014 Series A (used for refinancing 2004 Tax Allocation Housing Bonds) in the approximate amount of \$2,200,000
- La Quinta Financing Authority Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (2011 Housing Bonds) in the amount of \$25,561,073.

Non-Housing Bond Proceeds totaling \$6,696,805 would be transferred to the City as follows:

- Project Areas No. 1 and 2 Refunding Bonds, 2013 Series A (used for refinancing 2002 Tax Allocation Bonds) in the amount of \$6,575,791.87
- La Quinta Redevelopment Agency Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011 (2011 Non-Housing Bonds). Currently 5% of the \$2,420,268.52 in proceeds or \$121,014.33 may be expended. This percentage could increase by \$500,000 after DOF reviews and approves the Successor Agency's Last and Final ROPS.

The Housing Authority and City respectively have the responsibility to spend the proceeds consistent with the bond covenants and on projects identified within a bond spending plan. Currently the Washington Street Apartments Projects is identified as a housing project and the construction of Silverrock Way is a non-housing project. Both the City and Housing Authority can amend their respective spending plan as deemed necessary and at their sole discretion provided the expenditures remain consistent with the applicable bond covenants.

Approving this agreement will facilitate the expenditure of excess bond proceeds for their originally intended purpose and enable a submittal of a Last and Final ROP's to the Department of Finance.

## ALTERNATIVES

No alternatives are recommended.

Prepared by: Gil Villalpando, Management Specialist

Approved by: Frank J. Spevacek, City Manager

Attachments: 1. Bond Expenditure Agreement

**RESOLUTION NO. SA 2016-**

**A RESOLUTION OF THE CITY OF LA QUINTA ACTING AS  
THE SUCCESSOR AGENCY TO LA QUINTA  
REDEVELOPMENT AGENCY APPROVING A BOND  
EXPENDITURE AGREEMENT**

**WHEREAS**, the Successor Agency to the La Quinta Redevelopment Agency (Successor Agency) received its Finding of Completion under Health and Safety Code Section 34179.7 from the California Department of Finance on November 6, 2013; and

**WHEREAS**, Health and Safety Code Section 34191.4(c) allows a successor agency that has received a finding of completion to use bond proceeds from “non-housing” bonds issued prior to 2011, and a prescribed percentage of “non-housing” bond proceeds for bonds issued between January 1, 2011 and June 28, 2011, for purposes for which the bonds were sold, provided that such proceeds in excess of amounts needed to satisfy approved enforceable obligations shall be expended in a manner consistent with the original bond covenants, and further provides that such expenditures shall constitute “excess bond proceeds obligations” that shall be listed separately on the successor agency’s Recognized Obligation Payment Schedule (“ROPS”); and

**WHEREAS**, Health and Safety Code section 34176(g) allows the a housing successor to use 100% excess bond proceeds secured by the former La Quinta Redevelopment Agency’s Low and Moderate Income Housing Fund (“LMIHF”), as long as the “housing” bonds were issued prior to June 28, 2011; and

**WHEREAS**, the Successor Agency will have so-called “excess bond proceeds,” i.e., tax allocation bond proceeds, from both “non-housing” and “housing” bonds, that are not otherwise obligated for a project or other enforceable obligation. The Successor Agency wishes to use such proceeds for redevelopment and affordable housing purposes consistent with applicable bond covenants; and

**WHEREAS**, the California Community Redevelopment Law (Health and Safety Code Section 33000, et seq.) provides for a cooperative relationship between cities and their redevelopment agencies, as well as their successor agencies who have assumed the duties and obligations of the former redevelopment agencies. Under Health and Safety Code Section 33220, a city may aid and cooperate in the planning, undertaking, construction, or operation of redevelopment projects. Health and Safety Code Section 33220(e) specifically authorizes a city to enter into an agreement with its redevelopment agency or any other public entity to further redevelopment purposes. Health and Safety Code Section 34176(g)(1)(A) [for housing bond proceeds] and



Sections 34191.4(c)(1)(A) and 34191.4(c)(2) [for non-housing bond proceeds] allow a housing successor, successor agency, and sponsoring city to enter into agreements with the approval of the oversight board; and

**WHEREAS**, the Successor Agency desires to provide “non-housing” excess bond proceeds to the City of La Quinta (City) to enable the City to use such funds in a manner consistent with the original “non-housing” bonds’ covenants, and the Successor Agency desires to provide “housing” excess bond proceeds to the La Quinta Housing Authority (Housing Authority) to enable the Housing Authority to use such funds in a manner consistent with the original housing bonds’ covenants; and

**WHEREAS**, in order to facilitate the use of excess bond proceeds consistent with the bond covenants, the Successor Agency, City, and Housing Authority have negotiated an agreement requiring the transfer of current and future excess bond proceeds by the Successor Agency to the City and Housing Authority, respectively, and the use of such excess bond proceeds consistent with applicable bond covenants. If approved by the Oversight Board for the La Quinta Successor Agency (Oversight Board), the Successor Agency will list the agreement, and the requirement to transfer excess bond proceeds herein on a ROPS as an obligation to be funded with excess bond proceeds.

**NOW, THEREFORE, BE IT RESOLVED** by City of La Quinta Acting as the Successor Agency to La Quinta Redevelopment Agency, does hereby resolve as follows:

SECTION 1. The foregoing recitals are true and correct and are incorporated into the approval of this Resolution.

SECTION 2. The Successor Agency hereby approves the Bond Expenditure Agreement substantially in the form attached as Exhibit A.

SECTION 3. The City Manager shall have the authority to execute the Agreement on behalf of the City, the Housing Authority’s Executive Directors shall have the authority to execute the Agreement on behalf of the Housing Authority, and the Successor Agency’s Executive Directors shall have the authority to execute the Agreement on behalf of the Successor Agency. The City Manager or designee shall have the authority to take any and all implementing actions to effectuate the terms and conditions of this Agreement.

SECTION 4. The Bond Expenditure Agreement and ROPS on which the Bond Expenditure Agreement is listed shall become effective when the Oversight Board and California Department of Finance render their respective approvals as required by the dissolution law, Health and Safety Code Section 34170 *et seq.*

Resolution No. SA 2016-  
Expenditure of Bonds  
Adopted: July 5, 2016  
Page 3 of 3

**PASSED, APPROVED, and ADOPTED** at a regular meeting of the Successor Agency to the Dissolved La Quinta Redevelopment Agency held on this 5TH day of July, 2016, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

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LINDA EVANS, Chairperson  
City of La Quinta Acting as  
Successor Agency to the La  
Quinta Redevelopment Agency

**ATTEST:**

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SUSAN MAYSELS, Secretary  
City of La Quinta Acting as Successor  
Agency to the La Quinta Redevelopment Agency

(AGENCY SEAL)

**APPROVED AS TO FORM:**

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WILLIAM H. IHRKE, Counsel  
City of La Quinta Acting as Successor  
Agency to the La Quinta Redevelopment Agency

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**Attachment 1**

**BOND EXPENDITURE AGREEMENT**  
**(La Quinta Housing & Non-Housing Tax Allocation Bonds)**

This Bond Expenditure Agreement (the “Agreement”) is entered into and effective \_\_\_\_\_, 2016, by and between the City of La Quinta, a California municipal corporation (the “City”), the La Quinta Housing Authority, in its capacity as the housing successor pursuant to Health and Safety Code Section 34176(a)(3) (“Housing Authority”), and the Successor Agency to the La Quinta Redevelopment Agency, a public agency, corporate and politic, pursuant to Health and Safety Code Section 34173 (“Successor Agency”).

**Recitals:**

A. The Successor Agency received its Finding of Completion under Health and Safety Code Section 34179.7 from the California Department of Finance on November 6, 2013.

B. Health and Safety Code Section 34191.4(c) allows a successor agency that has received a finding of completion to use bond proceeds from “non-housing” bonds issued prior to 2011, and a prescribed percentage of non-housing bond proceeds for bonds issued between January 1, 2011 and June 28, 2011, for purposes for which the bonds were sold, provided that such proceeds in excess of amounts needed to satisfy approved enforceable obligations shall be expended in a manner consistent with the original bond covenants, and further provides that such expenditures shall constitute “excess bond proceeds obligations” that shall be listed separately on the successor agency’s Recognized Obligation Payment Schedule (“ROPS”).

C. Health and Safety Code section 34176(g) allows a housing successor to use 100% excess bond proceeds secured by the former La Quinta Redevelopment Agency’s Low and Moderate Income Housing Fund (“LMIHF”), as long as the “housing” bonds were issued prior to June 28, 2011.

D. The Successor Agency will have so-called “excess bond proceeds,” i.e., tax allocation bond proceeds, from both “non-housing” and “housing” bonds, that are not otherwise obligated for a project or other enforceable obligation. The Successor Agency wishes to use such proceeds for redevelopment and affordable housing purposes consistent with applicable bond covenants.

E. The California Community Redevelopment Law (Health and Safety Code Section 33000, *et seq.*) provides for a cooperative relationship between cities and their redevelopment agencies, as well as their successor agencies who have assumed the duties and obligations of the former redevelopment agencies. Under Health and Safety Code Section 33220, a city may aid and cooperate in the planning, undertaking, construction, or operation of redevelopment projects. Health and Safety Code Section 33220(e) specifically authorizes a city to enter into an agreement with its redevelopment agency or any other public entity to further redevelopment purposes. Health and Safety Code Section 34176(g)(1)(A) [for housing bond proceeds] and Sections 34191.4(c)(1)(A) and 34191.4(c)(2) [for non-housing bond

proceeds] allow a housing successor, successor agency, and sponsoring city to enter into agreements with the approval of the oversight board.

F. The Successor Agency desires to provide “non-housing” excess bond proceeds to the City to enable the City to use such funds in a manner consistent with the original “non-housing” bonds’ covenants, and the Successor Agency desires to provide “housing” excess bond proceeds to the Housing Authority (if not already provided) to enable the Housing Authority to use such funds in a manner consistent with the original housing bonds’ covenants. The non-housing and housing bonds’ covenants are summarized in the Official Statements for the “Bonds,” identified below in this Agreement, and the Official Statements and all bond documents governing the authorized spending of the “Bond Proceeds,” as defined below in this Agreement, are incorporated by reference and generally referred to as the “Bond Spending Plan.” The Bond Spending Plan is intended to advance the City’s community development goals and Housing Authority’s affordable housing goals, while maximizing fiscal and social benefits flowing to the taxing entities from successful development. The La Quinta Successor Agency’s Oversight Board (“Oversight Board”) has determined that the expenditure of excess bond proceeds in accordance with this Agreement will benefit the affected taxing entities, and has approved the execution of this Agreement and the provision of excess bond proceeds to the City and Housing Authority for the purposes described herein.

G. In order to facilitate the use of excess bond proceeds consistent with the bond covenants, the Successor Agency, City, and Housing Authority have negotiated this Agreement requiring the transfer of current and future excess bond proceeds by the Successor Agency to the City and Housing Authority, respectively, and the use of such excess bond proceeds consistent with applicable bond covenants. The parties intend that this Agreement shall constitute an excess bond proceeds obligation within the meaning of Health and Safety Code Sections 34176(g)(1)(A) and 34191.4(c) to be paid from excess bond proceeds. With Oversight Board approval, the Successor Agency has listed or will list this Agreement, and the requirement to transfer excess bond proceeds herein, on its Recognized Obligation Payment Schedule (“ROPS”) as an obligation to be funded with excess bond proceeds.

NOW, THEREFORE, the parties hereto do mutually agree as follows:

1. RECITALS.

The recitals above are an integral part of this Agreement and set forth the intentions of the parties and the premises on which the parties have decided to enter into this Agreement.

2. DEFINITIONS.

For purposes of this Agreement, the following terms shall have the indicated meaning:

“Bonds” means all of the following bond issuances:

- Successor Agency to the La Quinta Redevelopment Agency La Quinta Redevelopment Agency Project Areas No. 1 and 2 Refunding Bonds, 2014 Series A (used for refinancing 2004 Tax Allocation Housing Bonds), and

any refinancing or refunding thereof authorized by the Dissolution Law (referred to in this Agreement as the “2004 Housing Bonds”).

- Successor Agency to the La Quinta Redevelopment Agency La Quinta Redevelopment Project Areas No. 1 and 2 Subordinate Tax Allocation Refunding Bonds, 2013 Series A (used for refinancing 2002 Tax Allocation Bonds), and any refinancing or refunding thereof authorized by the Dissolution Law (referred to in this Agreement as the “2002 Non-Housing Bonds”).
- La Quinta Financing Authority Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A, and any refinancing or refunding thereof authorized by the Dissolution Law (referred to in this Agreement as the “2011 Housing Bonds”).
- La Quinta Redevelopment Agency Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011, and any refinancing or refunding thereof authorized by the Dissolution Law (referred to in this Agreement as the “2011 Non-Housing Bonds”).

“Bond Proceeds” means (1) proceeds remaining from the Bonds secured by a pledge of the Redevelopment Agency’s tax increment, (2) rents, sale proceeds and other revenues generated by properties acquired and/or improved with proceeds from the Bonds, (3) interest and principal paid on loans funded by proceeds from the Bonds, and (4) other income or revenues generated from assets acquired or funded with proceeds from the Bonds. As of the date of this Agreement, the Bond Proceeds remaining from the Bonds described in clause (1) are approximately: \$2,200,000 from the 2004 Housing Bonds; \$6,600,000 from the 2002 Non-Housing Bonds; \$25,500,000 from the 2011 Housing Bonds; and \$2,400,000 from the 2011 Non-Housing Bonds, with the exact amounts of Bond Proceeds remaining set forth in the spreadsheet entitled “City of La Quinta – Bond Proceeds” attached to this Agreement as Exhibit A and incorporated herein by reference (collectively, the “Remaining Bond Proceeds”).

“Bond Spending Plan” is defined in Recital F. In further explanation and not limitation of the definition in Recital F, the “Bond Spending Plan” includes but is not limited to the following projects that would use the following Excess Bond Proceeds:

- Use of Housing Excess Bond Proceeds from the 2004 Housing Bonds for that certain affordable housing project known as the “Washington Street Apartments” project located at 42-800 Washington Street in the City; and
- Use of Non-Housing Excess Bond Proceeds from the 2002 Non-Housing Bonds for the construction of SilverRock Way.

“Dissolution Law” means Parts 1.8 and 1.85 of Division 24 of the California Health and Safety Code, commencing with Section 34170, and other statutes governing the dissolution of redevelopment agencies and the wind-down of redevelopment activities.

“Enforceable Obligations” mean enforceable obligations, other than Excess Bond Proceeds obligations, as defined under the Dissolution Law.

“Excess Bond Proceeds” means Bond Proceeds that are not needed to satisfy Enforceable Obligations (other than this Agreement) approved on a ROPS. As of the date of this Agreement, the Remaining Bond Proceeds qualify as Excess Bond Proceeds.

“Housing Excess Bond Proceeds” mean Excess Bond Proceeds tied to the 2004 Housing Bonds or 2011 Housing Bonds, or both.

“Non-Housing Excess Bond Proceeds” mean Excess Bond Proceeds tied to the 2002 Non-Housing Bonds or 2011 Non-Housing Bonds, or both; provided, however, that “Non-Housing Excess Bond Proceeds” from the 2011 Non-Housing Bonds may not exceed the percentage of the Remaining Bond Proceeds from the 2011 Non-Housing Bonds authorized to be expended pursuant to Health and Safety Code section 34191.4(c)(2) (or successor statute). At the time of this Agreement, 5% of the Remaining Bond Proceeds from the 2011 Non-Housing Bonds may be expended without a Last and Final ROPS, as the 2011 Non-Housing Bonds were issued June 14, 2011. If the percentage of allowable expenditure from the Remaining Bond Proceeds of the 2011 Non-Housing Bonds increases after the date of this Agreement, then any Remaining Bond Proceeds from the 2011 Non-Housing Bonds that may be expended under an amendment to the Dissolution Law shall be deemed Non-Housing Excess Bond Proceeds and will be governed by the terms and conditions of this Agreement without need for further amendment of this Agreement.

“ROPS” means Recognized Obligation Payment Schedule as defined in the Dissolution Law. For purposes of this Agreement, ROPS includes the Last and Final ROPS (and any allowable amendments thereto) pursuant to the Dissolution Law.

### 3. SUCCESSOR AGENCY’S OBLIGATIONS.

The Successor Agency shall have the following obligations under this Agreement:

3.1 CURRENT NON-HOUSING EXCESS BOND PROCEEDS. The Successor Agency shall transfer to the City, no later than 30 days after the approval of this Agreement (or Oversight Board Resolution approving this Agreement) by the California Department of Finance (“DOF”), Non-Housing Excess Bond Proceeds currently held by the Successor Agency.

3.2 CURRENT HOUSING EXCESS BOND PROCEEDS. The Successor Agency shall transfer to the Housing Authority, no later than 30 days after the approval of this Agreement (or Oversight Board Resolution approving this Agreement) by the DOF, Housing Excess Bond Proceeds currently held by the Successor Agency.

3.3 FUTURE EXCESS BOND PROCEEDS. The Successor Agency shall transfer to the City all future Non-Housing Excess Bond Proceeds held or received by the Successor Agency, and the Successor Agency shall transfer to the Housing Authority all future Housing Excess Bond Proceeds held or received by the Successor Agency. Such future Excess Bond Proceeds shall include, without limitation, (1) Bond Proceeds previously obligated to a project or other Enforceable Obligation that become unobligated for any reason, (2) Bond Proceeds that

become available in the form of rents, sale proceeds, loan repayments, or other revenues that are generated by properties or other assets acquired and/or improved with Bond Proceeds and that are not otherwise obligated to a project or other Enforceable Obligation, and (3) any other funds held by the Successor Agency that qualify as Excess Bond Proceeds under this Agreement.

The parties intend that payments of future Non-Housing Excess Bond Proceeds be made to the City and payments of future Housing Excess Bond Proceeds be made to the Housing Authority, as soon as possible after such Excess Bond Proceeds become available. The transfer of future Excess Bond Proceeds shall be made pursuant to an approved ROPS within 30 days of the commencement of the relevant ROPS period, or within 30 days of the future Excess Bond Proceeds becoming available to the Successor Agency after this Agreement has been approved by DOF on an operative ROPS, whichever date is applicable. The Successor Agency shall be responsible for ensuring that payments of future Excess Bond Proceeds, as such funds become available, are included on a ROPS by identifying this Agreement.

**3.4 PROJECTS FUNDED BY NON-HOUSING EXCESS BOND PROCEEDS.** The Successor Agency assigns to the City all responsibilities in relation to the administration of any projects or programs funded by Non-Housing Excess Bond Proceeds. The Successor Agency assigns to the City all contracts entered into by the Successor Agency or the former La Quinta Redevelopment Agency (“Redevelopment Agency”) related to activities to be funded by Non-Housing Excess Bond Proceeds, with the exception of those contracts retained by the Successor Agency relating to Enforceable Obligations.

**3.5 PROJECTS FUNDED BY HOUSING EXCESS BOND PROCEEDS.** The Successor Agency assigns to the Housing Authority all responsibilities in relation to the administration of any projects or programs funded by Housing Excess Bond Proceeds. The Successor Agency assigns to the Housing Authority all contracts entered into by the Successor Agency or the Redevelopment Agency related to activities to be funded by Housing Excess Bond Proceeds, with the exception of those contracts retained by the Successor Agency relating to Enforceable Obligations.

#### **4. CITY’S OBLIGATIONS.**

The City shall have the following obligations under this Agreement:

**4.1 RETENTION OF NON-HOUSING EXCESS BOND PROCEEDS.** The City shall accept, hold, and disburse Non-Housing Excess Bond Proceeds transferred to the City by the Successor Agency under this Agreement, including current Non-Housing Excess Bond Proceeds and future Non-Housing Excess Bond Proceeds. The City shall retain any Non-Housing Excess Bond Proceeds that it receives, such as revenue generated from properties acquired or improved with Non-Housing Excess Bond Proceeds or payments on loans funded from Non-Housing Excess Bond Proceeds, without any obligation to return such funds to the Successor Agency, and shall use such funds for uses consistent with applicable bond covenants.

**4.2 USE OF NON-HOUSING EXCESS BOND PROCEEDS.** The City may spend Non-Housing Excess Bond Proceeds received or retained under this Agreement on any project, program, or activity authorized under the Bond Spending Plan. The City must spend Non-



Housing Excess Bond Proceeds consistent with the original bond covenants applicable to the Non-Housing Excess Bond Proceeds, and must comply with all requirements of federal tax law and all applicable requirements of the California Community Redevelopment Law as to the use of such funds. The City shall be solely responsible for ensuring that Non-Housing Excess Bond Proceeds are maintained and spent in accordance with bond covenants and other applicable laws. The City may transfer funds between approved projects, programs and activities, as long as the transfer is within a single project area if applicable bond covenants restrict such funds to a particular project area.

The City assumes all contracts entered into by the Successor Agency or the former Redevelopment Agency related to activities to be funded by Non-Housing Excess Bond Proceeds, with the exception of those contracts retained by the Successor Agency relating to Enforceable Obligations. The City shall perform its obligations hereunder, and under such assumed contracts, in accordance with the applicable provisions of federal, state and local laws, and shall timely complete the work required for each project.

4.3 BOND SPENDING PLAN. The City shall be solely responsible for maintaining and implementing the Bond Spending Plan with respect to Non-Housing Excess Bond Proceeds. The City may amend the Bond Spending Plan, with respect to use of Non-Housing Excess Bond Proceeds, as the City deems necessary in its sole discretion. Any amendments to the adopted Bond Spending Plan shall consider uses that advance the City's community development goals while maximizing fiscal and social benefits flowing to the taxing entities from successful development. The Bond Spending Plan shall conform to applicable bond covenants and all applicable requirements of federal tax law and the California Community Redevelopment Law. Notwithstanding any contrary provision hereof, unless the City expressly agrees otherwise, the City shall not be obligated to provide funding for any program or project in an amount exceeding the Non-Housing Excess Bond Proceeds provided to the City pursuant to this Agreement.

## 5. HOUSING AUTHORITY'S OBLIGATIONS.

The Housing Authority shall have the following obligations under this Agreement:

5.1 RETENTION OF HOUSING EXCESS BOND PROCEEDS. The Housing Authority shall accept, hold, and disburse Housing Excess Bond Proceeds transferred to the Housing Authority by the Successor Agency under this Agreement, including current Housing Excess Bond Proceeds and future Housing Excess Bond Proceeds. The Housing Authority shall retain any Housing Excess Bond Proceeds that it receives, such as revenue generated from properties acquired or improved with Housing Excess Bond Proceeds or payments on loans funded from Housing Excess Bond Proceeds, without any obligation to return such funds to the Successor Agency, and shall use such funds for uses consistent with applicable bond covenants.

5.2 USE OF HOUSING EXCESS BOND PROCEEDS. The Housing Authority may spend Housing Excess Bond Proceeds received or retained under this Agreement on any project, program, or activity authorized under the Bond Spending Plan. The Housing Authority must spend Housing Excess Bond Proceeds consistent with the original bond covenants applicable to the Housing Excess Bond Proceeds, and must comply with all requirements of federal tax law and all applicable requirements of the California Community Redevelopment Law as to the use

of such funds. The Housing Authority shall be solely responsible for ensuring that Housing Excess Bond Proceeds are maintained and spent in accordance with bond covenants and other applicable laws. The Housing Authority may transfer funds between approved projects, programs and activities, as long as the transfer is within a single project area if applicable bond covenants restrict such funds to a particular project area.

The Housing Authority assumes all contracts entered into by the Successor Agency or the former Redevelopment Agency related to activities to be funded by Housing Excess Bond Proceeds, with the exception of those contracts retained by the Successor Agency relating to Enforceable Obligations. The Housing Authority shall perform its obligations hereunder, and under such assumed contracts, in accordance with the applicable provisions of federal, state and local laws, and shall timely complete the work required for each project.

5.3 BOND SPENDING PLAN. The Housing Authority shall be solely responsible for maintaining and implementing the Bond Spending Plan with respect to Housing Excess Bond Proceeds. The Housing Authority may amend the Bond Spending Plan, with respect to use of Housing Excess Bond Proceeds, as the Housing Authority deems necessary in its sole discretion. Any amendments to the adopted Bond Spending Plan shall consider uses that advance the Housing Authority's affordable housing goals while maximizing fiscal and social benefits flowing to the taxing entities from successful development. The Bond Spending Plan shall conform to applicable bond covenants and all applicable requirements of federal tax law and the California Community Redevelopment Law. Notwithstanding any contrary provision hereof, unless the Housing Authority expressly agrees otherwise, the Housing Authority shall not be obligated to provide funding for any program or project in an amount exceeding the Housing Excess Bond Proceeds provided to the Housing Authority pursuant to this Agreement.

## 6. ENTIRE AGREEMENT; WAIVERS; AND AMENDMENTS.

6.1 This Agreement constitutes the entire understanding and agreement of the parties with respect to the transfer and use of Excess Bond Proceeds. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to the subject matter of this Agreement.

6.2 This Agreement intended solely for the benefit of the City, Housing Authority, and the Successor Agency. Notwithstanding any reference in this Agreement to persons or entities other than the City, Housing Authority and the Successor Agency, there shall be no third party beneficiaries under this Agreement, except the La Quinta Financing Authority, a public agency, corporate and politic.

6.3 All waivers of the provisions of this Agreement and all amendments to this Agreement must be in writing and signed by the authorized representatives of the parties.

## 7. SEVERABILITY.

If any term, provisions, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the parties have been materially altered or abridged by such invalidation, voiding or unenforceability. In addition, the

parties shall cooperate in good faith in an effort to amend or modify this Agreement in a manner such that the purpose of any invalidated or voided provision, covenant, or condition can be accomplished to the maximum extent legally permissible.

8. DEFAULT.

If either party fails to perform or adequately perform an obligation required by this Agreement within thirty (30) calendar days of receiving written notice from the non-defaulting party, the party failing to perform shall be in default hereunder. In the event of default, the non-defaulting party will have all the rights and remedies available to it at law or in equity to enforce the provisions of this contract, including without limitation the right to sue for damages for breach of contract or to seek specific performance. The rights and remedies of the non-defaulting party enumerated in this paragraph are cumulative and shall not limit the non-defaulting party's rights under any other provision of this Agreement, or otherwise waive or deny any right or remedy, at law or in equity, existing as of the date of the Agreement or hereinafter enacted or established, that may be available to the non-defaulting party against the defaulting party.

9. BINDING ON SUCCESSORS.

This Agreement shall be binding on and shall inure to the benefit of all successors and assigns of the parties, whether by agreement or operation of law.

10. FURTHER ASSURANCES.

Each party agrees to execute, acknowledge and deliver all additional documents and instruments, and to take such other actions as may be reasonably necessary to carry out the intent of this Agreement.

11. CITY MANAGER DELEGATED AUTHORITY TO IMPLEMENT.

The City Manager shall have the authority to execute this Agreement on behalf of the City, the Housing Authority's Executive Directors shall have the authority to execute this Agreement on behalf of the Housing Authority, and the Successor Agency's Executive Directors shall have the authority to execute this Agreement on behalf of the Successor Agency . The City Manager or designee shall have the authority to take any and all implementing actions to effectuate the terms and conditions of this Agreement.

**[SIGNATURES ON NEXT PAGE]**

In witness whereof, the undersigned parties have executed this Bond Expenditure Agreement effective as of the date first above written.

**“CITY”**

**THE CITY OF LA QUINTA,**  
a municipal corporation

By: \_\_\_\_\_  
City Manager

Attest:

By: \_\_\_\_\_  
City Clerk

Approved as to form:

By: \_\_\_\_\_  
City Attorney

**“HOUSING AUTHORITY”**

**LA QUINTA HOUSING AUTHORITY,**  
in its capacity as the housing successor  
pursuant to Health and Safety Code  
Section 34176

By: \_\_\_\_\_  
Executive Director

Attest:

By: \_\_\_\_\_  
Agency Secretary

Approved as to form:

By: \_\_\_\_\_  
Agency Counsel

**“SUCCESSOR AGENCY”**

**THE SUCCESSOR AGENCY TO THE  
LA QUINTA REDEVELOPMENT  
AGENCY,**  
a public agency, corporate and politic,  
pursuant to Health and Safety Code  
section 34173

By: \_\_\_\_\_  
Executive Director

Attest:

By: \_\_\_\_\_  
City Clerk

Approved as to form:

By: \_\_\_\_\_  
Agency Counsel

<b>City of La Quinta - Bond Proceeds</b>			<b>5/31/16 Balance</b>	
			<b>Bonds</b>	
<b>Issue</b>	<b>G/L</b>	<b>Account Name</b>	<b>Issued on or before 12/31/10</b>	<b>Issued on or after 1/1/11</b>
2004	248-0000-10110	Claim on Pooled Cash	2,195,379.38	
2011 Housing	249-0000-10273	2011 Bond Proceeds fiscal agent		25,561,073.51
2002	405-0000-10110	Claim on Pooled Cash	6,575,791.87	
2011A-PA2	417-0000-10273	2011 Bond Proceeds fiscal agent		2,420,286.52
<b>Total</b>			<b>8,771,171.25</b>	<b>27,981,360.03</b>

# City of La Quinta

SUCCESSOR AGENCY MEETING: July 5, 2016

## STAFF REPORT

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**AGENDA TITLE:** ADOPT A RESOLUTION FOR ISSUANCE AND SALE OF SUBORDINATE TAX ALLOCATION REFUNDING BONDS

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### RECOMMENDATION

Adopt a Resolution authorizing the issuance of Subordinate Tax Allocation Refunding Bonds by the Successor Agency to the La Quinta Redevelopment Agency in the approximate amount of \$35,280,000, 2016 Series A Bonds, and authorizing certain actions in connection therewith.

### EXECUTIVE SUMMARY

- In 2011, the La Quinta Redevelopment Agency issued \$6,000,000 of Tax Allocation Bonds of which \$5,850,000 are currently outstanding and the La Quinta Financing Authority issued \$28,850,000 Taxable Revenue Bonds of which \$27,225,000 are currently outstanding (together the “2011 Bonds”).
- Current bond interest rates are at historically low levels and refinancing the 2011 Bonds will reduce annual bond payments, allowing additional property tax revenue distribution to the City and taxing agencies.
- The Successor Agency has approximately \$2.3 million of unspent 2011 Bond proceeds on deposit with the Trustee, which will be used to pay down the principal amount of the 2016 Bonds.
- The 2011 Bonds are not subject to optional call and redemption until September 1, 2020 so the bond proceeds would be deposited in an escrow fund held by an escrow bank, and used to pay regularly scheduled principal and interest payments on the 2011 Bonds until September 1, 2020 (an advanced refunding).
- Refinancing the 2011 Bonds will require State Department of Finance approval, which may take up to 60 days.

### FISCAL IMPACT

Lower bond interest costs with yield lower annual debt service savings of approximately \$614,000 or \$12.82 million over the twenty-three year term of these bonds.

### BACKGROUND/ANALYSIS

Starting in 1985, the La Quinta Redevelopment Agency (RDA) issued tax allocation bonds to raise capital for infrastructure, public facility, economic development, and affordable

housing investment. Bond debt service payments are funded by property tax revenue. When the RDA was eliminated in February 2012, the Successor Agency assumed the responsibility to ensure that bond debt service payments are made. These payments are classified as enforceable obligations and are tracked on the Recognized Obligation Payment Schedule (ROPS).

The Successor Agency may refinance outstanding bonds and other obligations of the RDA. The City's financial advisors determined that today's lower bond interest rates would yield cost savings; all bond refinancing must be first approved by the Oversight Board and the DOF.

In December 2013, the Successor Agency issued \$97,190,000 2013 Series A and \$23,055,000 2013 Taxable Series B refinancing bonds. These bonds refinanced the former RDA's 1998 PA 1 Bonds, 1998 PA 2 Bonds, 2001 Bonds, 2002 Bonds and 2003 Bonds. The 2013 refunding bond program resulted in annual debt service savings of more than \$555,000 per year with an overall savings of \$10,650,000.

In July 2014, the Successor Agency again successfully refinanced \$65,600,000 of additional former RDA bonds resulting in annual debt service savings of more than \$680,000 per year with an overall savings of \$13,700,000.

In the current bond market, an opportunity exists to further reduce annual debt service by refinancing the 2011 Bonds. Interest rates for the 2016 refunding bonds are estimated at 3% to 5% with yield potentials 0.50% to 4.50%, on a taxable basis. The 2011 Bonds have interest rates ranging from 5.375% to 8.15% on a taxable basis.

By refinancing bonds, debt service payments will be reduced by \$12.8 million over 23 years. This would free property tax revenue for distribution to other taxing agencies and the City, with approximately \$8 million to schools districts, \$2.8 million to Riverside County, \$922,000 to the Coachella Valley Water District, \$634,000 to the City, and \$225,000 to parks and recreation over the 23 year period.

### **ALTERNATIVES**

As refinancing would result in an annual savings on bond debt service, staff does not have an alternative.

Prepared by: Gilbert Villalpando, Management Specialist

Approved by: Frank J. Spevacek, City Manager

- Attachments:
1. Bond Purchase Contract
  2. Preliminary Official Statement
  3. Continuing Disclosure Agreement
  4. Escrow Agreement
  5. Second Supplemental Indenture of Trust
  6. Summary of 2016 Refinancing

**RESOLUTION NO. SA 2016 -**

**A RESOLUTION OF THE SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY AUTHORIZING THE ISSUANCE AND SALE OF SUBORDINATE TAX ALLOCATION REFUNDING BONDS APPROVING THE FORM OF A SECOND SUPPLEMENTAL INDENTURE OF TRUST, OFFICIAL STATEMENT, BOND PURCHASE CONTRACT, CONTINUING DISCLOSURE AGREEMENT, FORM OF ESCROW AGREEMENT, AND RELATED DOCUMENTS AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the La Quinta Redevelopment Agency (the “Prior Agency”) was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the “Law”), and the powers of the La Quinta Redevelopment Agency included the power to issue Bonds for any of its corporate purposes; and

**WHEREAS**, a Redevelopment Plan for a redevelopment project known and designated as the “La Quinta Redevelopment Project Area No. 1” has been adopted and approved by Ordinance No. 43 of the City of La Quinta on November 29, 1983, and all requirements of the Law for and precedent to the adoption and approval of the Project Area No. 1 Redevelopment Plan, as amended, have been duly complied with; and

**WHEREAS**, a Redevelopment Plan for a redevelopment project known and designated as the “La Quinta Redevelopment Project Area No. 2” has been adopted and approved by Ordinance No. 139 of the City of La Quinta on May 16, 1989, and all requirements of the Law for and precedent to the adoption and approval of the Project Area No. 2 Redevelopment Plan, as amended, have been duly complied with; and

**WHEREAS**, the Prior Agency has previously issued \$6,000,000 La Quinta Redevelopment Agency, La Quinta Redevelopment Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011 (the “2011 Project Area No. 2 Taxable Bonds”); and

**WHEREAS**, the Authority on behalf of the Prior Agency has previously issued \$28,850,000 La Quinta Financing Authority, Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the “2011 Taxable Housing Bonds”) and loaned the proceeds to the Prior Agency pursuant to the terms of a loan agreement dated



February 3, 2004 and a Second Supplemental Indenture, dated as of March 1, 2011 (the “2011 Loan Obligation”); and

**WHEREAS**, Assembly Bill AB X1 26, effective June 29, 2011, together with Assembly Bill 1484 (“AB 1484”) (collectively, the “Dissolution Act”) resulted in the La Quinta Redevelopment Agency being dissolved as of February 1, 2012; and

**WHEREAS**, the authority, rights, powers, assets, duties and obligations of the Prior Agency were transferred on February 1, 2012 to the Successor Agency; and

**WHEREAS**, AB1484 specifically authorizes the issuance of refunding bonds by the Successor Agency to refund the bonds or other indebtedness of the Prior Agency to provide savings to the Successor Agency, provided that (A) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds shall not exceed the total remaining interest cost to maturity on the bonds to be refunded plus the remaining principal of the bonds to be refunded, and (B) the principal amount of the refunding bonds shall not exceed the amount required to defease the refunded bonds, to establish customary debt service reserves, and to pay related costs of issuance; and

**WHEREAS**, the Successor Agency to the La Quinta Redevelopment Agency (the “Successor Agency”) has determined that it is cost effective and efficient to refund and defease, in their entirety, the 2011 Project Area No. 2 Taxable Bonds and the 2011 Loan Obligation (collectively, the “Refunded Bonds”) on a subordinate basis to the \$65,600,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas Nos. 1 and 2, Tax Allocation Refunding Bonds, 2014 Series A (the “2014 Bonds or the “Senior Bonds”) and on a parity basis with the \$97,190,000 Successor Agency to the La Quinta Redevelopment Agency La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A (the “2013 Series A Bonds”) and the \$23,055,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B (the “2013 Series B Bonds”) (collectively, the “2013 Series A Bonds and the 2013 Series B Bonds, the “2013 Bonds” or the “Parity Bonds”); and

**WHEREAS**, the Successor Agency deems it necessary and proper to issue taxable tax allocation refunding bonds to refund and defease the Refunded Bonds; and

**WHEREAS**, for the corporate purposes of the Successor Agency, the Successor Agency deems it necessary to issue at this time tax allocation refunding bonds in a principal amount of not to exceed Thirty-Nine million dollars (\$39,000,000) (the “Bonds”), and to irrevocably set aside a portion of the proceeds of such Bonds in a separate segregated trust fund which will be used to refund the outstanding Refunded

Bonds of the Prior Agency, to pay costs in connection with the issuance of the Bonds, and to make certain other deposits as required by the Indenture (defined herein); and

**WHEREAS**, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Successor Agency wishes to approve the issuance of the Bonds and authorize the execution and delivery of the Second Supplemental Indenture of Trust; and

**WHEREAS**, pursuant to Section 34179 of the Law, an oversight board (the "Oversight Board") has been established for the Successor Agency and the Successor Agency has requested that the Oversight Board approve the issuance of the Bonds by the Successor Agency, as authorized by Section 34177.5(f) of the Law; and

**WHEREAS**, the Successor Agency hereby certifies that all acts and proceedings required by law necessary to make the Bonds, when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor Agency, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

**WHEREAS**, the Successor Agency wishes at this time to approve all matters relating to the issuance and sale of the Bonds;

**NOW, THEREFORE, BE IT RESOLVED**, by the Successor Agency to the La Quinta Redevelopment Agency as follows:

**SECTION 1.** The Second Supplemental Indenture of Trust, by and between the Successor Agency and U.S. Bank National Association, dated as of June 1, 2016, in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein (the "Second Supplemental Indenture"), is hereby approved. An Authorized Representative, as defined below, is hereby authorized and directed to execute and deliver the Second Supplemental Indenture in the form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Authorized Representative, said execution being conclusive evidence of such approval.

**SECTION 2.** Subject to the provisions of the Second Supplemental Indenture referred to in Section 1 hereof, the issuance of the Bonds in the aggregate principal amount of not to exceed Thirty-Nine million dollars (\$39,000,000) on the terms and conditions set forth in, and subject to the limitations specified in, the Second Supplemental Indenture, is hereby authorized and approved. The Bonds will be dated, will bear interest at the rates, will mature on the dates, will be issued in the form, will be subject to redemption, and will be as otherwise provided in the Second Supplemental

Indenture, as the same will be completed as provided in this Resolution. The proceeds of the sale of the Bonds shall be applied as provided in the Second Supplemental Indenture.

**SECTION 3.** The Bond Purchase Contract (the “Bond Purchase Contract”) between the Successor Agency and Hilltop Securities Inc. (the “Underwriter”), in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, is hereby approved. An Authorized Representative is hereby authorized and directed to execute the Bond Purchase Contract in the form presented at this meeting with such changes, insertions and omissions as may be approved by the Authorized Representative, said execution being conclusive evidence of such approval; provided, however, that the Bond Purchase Contract shall be signed only if the terms of the agreement are such that (i) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, (ii) the principal amount of the Bonds will not exceed the amount required to finance the refunding of the Refunded Bonds and including establishing a customary debt service reserve fund and paying related costs of issuance, (iii) the Underwriter’s Discount not including original issue discount, shall not exceed three-quarters percent (.750%) of the par value of the Bonds; and (iv) the net present value savings amount generated from the issuance of the Bonds, expressed as a percentage of the aggregate principal amount of the Refunded Bonds, will be at least 3.00%.

**SECTION 4.** The Preliminary Official Statement relating to the Bonds (the “Preliminary Official Statement”), in the form presented and on file with the Secretary, is hereby approved. An Authorized Representative is hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to cause the Preliminary Official Statement in substantially said form, with such additions or changes therein as the Authorized Representative may approve, to be deemed final for the purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934 (“Rule 15c2-12”). The Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Bonds in substantially the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the Authorized Representative to make the Preliminary Official Statement final as of its date for purposes of Rule 15c2-12, including, but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading.

**SECTION 5.** The preparation and delivery of an Official Statement, and its use by the Successor Agency and the Underwriter, in connection with the offering and sale of the Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be requested by Bond Counsel or the Underwriter and approved by an Authorized Representative, as defined below, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Representative is hereby authorized and directed to execute the final Official

Statement and any amendment or supplement thereto, in the name of and on behalf of the Successor Agency, and thereupon to cause the final Official Statement and any such amendment or supplement to be delivered to the Underwriter.

SECTION 6. The form of the Continuing Disclosure Agreement in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, is hereby approved. The Authorized Representative is hereby authorized and directed to execute and deliver the Continuing Disclosure Agreement(s) in the form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Authorized Representative, said execution being conclusive evidence of such approval.

SECTION 7. The form of the Escrow Agreement, by and among the Successor Agency, the Authority and U.S. Bank National Association, dated as of June 1, 2016, in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, is hereby approved. An Authorized Representative, as defined below, is hereby authorized and directed to execute and deliver the Escrow Agreement relating to each of the series of Refunded Bonds in the general form presented at this meeting with such changes insertions and omissions as may be requested by Bond Counsel and approved by the Executive Director, said execution being conclusive evidence of such approval.

SECTION 8. The Chair of the Successor Agency, the Executive Director of the Successor Agency, the Assistant Executive Director of the Successor Agency, the Secretary of the Successor Agency, their written designee, and any other proper officer of the Successor Agency (“Authorized Representative”), acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments, relating to the Bonds, and each series thereof, and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture, the Second Supplemental Indenture, the Bond Purchase Contract, the Preliminary Official Statement, the Continuing Disclosure Agreement, the Escrow Agreement, this Resolution and any such agreements approved by Bond Counsel.

SECTION 9. U.S. Bank National Association is hereby appointed as Trustee and Escrow Bank, Rutan & Tucker, LLP is hereby appointed as Bond Counsel, Norton Rose Fulbright US, LLP, a Professional Corporation is hereby appointed as Disclosure Counsel. Harrell & Company Advisors, LLP is hereby appointed as Financial Advisor and the Executive Director of the Successor Agency is authorized to execute contracts for any or all such services pursuant to proposals on file with the Executive Director, and Willdan Financial Services is hereby appointed as Dissemination Agent and the Executive Director of the Successor Agency is authorized to execute contracts for any or all such services pursuant to proposals on file with the Executive Director.

Resolution No. SA 2016-  
Tax Allocation Refunding Bonds  
Adopted: July 5, 2016  
Page 6 of 6

**SECTION 10.** The Successor Agency is hereby authorized to recover its costs of issuance with respect to the Bonds, including staff time and costs.

**SECTION 11.** This Resolution shall take effect immediately upon its adoption.

**PASSED, APPROVED, AND ADOPTED** at the meeting of the Successor Agency to the La Quinta Redevelopment Agency held this 5th of July 2016, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

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LINDA EVANS, Chairperson  
City of La Quinta Acting as Successor Agency to  
the La Quinta Redevelopment Agency

**ATTEST:**

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SUSAN MAYSELS, Secretary  
City of La Quinta Acting as Successor  
Agency to the La Quinta Redevelopment Agency

(AGENCY SEAL)

**APPROVED AS TO FORM:**

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WILLIAM H. IHRKE, Counsel  
City of La Quinta Acting as Successor  
Agency to the La Quinta Redevelopment Agency

ATTACHMENT 1

\$ \_\_\_\_\_  
**SUCCESSOR AGENCY TO THE  
LA QUINTA REDEVELOPMENT AGENCY  
La Quinta Redevelopment Project Areas No. 1 and 2  
Subordinate Tax Allocation Refunding Bonds  
2016 Taxable Series A**

**BOND PURCHASE CONTRACT**

\_\_\_\_\_, 2016

Successor Agency to the La Quinta Redevelopment Agency  
78-495 Calle Tampico  
La Quinta, California 92253

Ladies and Gentlemen:

Hilltop Securities Inc. (the “Underwriter”), acting not as fiduciary or agent for you, but on behalf of itself, hereby offers to enter into this Bond Purchase Contract (the “Purchase Contract”) with the Successor Agency to the La Quinta Redevelopment Agency (the “Issuer”) for the purchase from the Issuer, of the Issuer’s La Quinta Redevelopment Project Areas No. 1 and 2 Subordinate Tax Allocation Refunding Bonds 2016 Taxable Series A (the “Bonds”). This offer is made subject to acceptance thereof by the Issuer prior to 6:00 p.m., California time, on \_\_\_\_\_, 2016, and upon such acceptance, as evidenced by the signature of the Executive Director of the Issuer in the space provided herein. This Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the Issuer and the Underwriter.

The Issuer acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the Issuer and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Issuer; (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the Issuer with respect to: (x) the offering of the Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Issuer or affiliates of the Issuer on other matters); or (y) any other obligation to the Issuer except the obligations expressly set forth in this Purchase Contract; and (iv) the Issuer has consulted with its own legal and financial advisor to the extent they deemed appropriate in connection with the offering of the Bonds.

1. Purchase and Sale of the Bonds. Upon the terms and conditions and upon the basis of the representations and agreements herein set forth, the Issuer hereby agrees to sell and the Underwriter hereby agrees to purchase from the Issuer for offering to the public all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of the Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A, at a purchase price equal to \$\_\_\_\_\_ (representing an aggregate principal amount of \$\_\_\_\_\_, [plus/less] a net original issue [premium/discount] of \$\_\_\_\_\_, and less an underwriter’s discount of \$\_\_\_\_\_).

The Bonds will mature and bear interest at the interest rates as shown in Appendix A hereto and will be subject to redemption according to the terms set forth in the Indenture of Trust, dated as of \_\_\_\_\_ 1, 2016 (the “Indenture”), by and between the Issuer and U.S. Bank National Association (the “Trustee”). The Bonds will be authorized and issued pursuant to the Indenture approved by Resolution No. SA-\_\_\_\_\_ adopted by the Issuer on \_\_\_\_\_, 2016 (the “Resolution”), and by Resolution No. OB-\_\_\_\_\_ adopted by the Oversight Board for the Issuer on \_\_\_\_\_, 2016 (the “Oversight Board Resolution”), and in accordance with Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Bond Law”), Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“AB 1484”), enacted as Chapter 26, Statutes of 2012 and as further amended on September 22, 2015 by Senate Bill 107 (“SB 107”), enacted as Chapter 325, Statutes of 2015 (collectively, as amended from time to time, the “Dissolution Act”), and the Constitution and other applicable laws of the State of California (the “State”).

The Underwriter agrees to make a bona fide public offering of the Bonds at the initial offering yields set forth in the Official Statement; however, the Underwriter reserves the right to make concessions to dealers and to change such initial offering yields as the Underwriter shall deem necessary in connection with the marketing of the Bonds. The Underwriter agrees that, in connection with the public offering and initial delivery of the Bonds to the purchasers thereof from the Underwriter, the Underwriter will deliver or cause to be delivered to each purchaser a copy of the final Official Statement prepared in connection with the Bonds (the “Official Statement”), for the time period required under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”). Terms defined in the Official Statement are used herein as so defined.

The Bonds are being issued by the Issuer on a subordinate basis to the \$65,600,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds, 2014 Series A of which \$\_\_\_\_\_ are currently outstanding.

The Bonds are being issued to refinance on an advance basis the La Quinta Redevelopment Agency’s (the “Prior Agency”) previously issued \$6,000,000 La Quinta Redevelopment Project Area No. 2, Subordinate Taxable Tax Allocation Bonds, Series 2011 (the “2011 Agency Bonds”) of which \$\_\_\_\_\_ are currently outstanding and the Prior Agency’s loan obligation under the Loan Agreement, dated February 3, 2004 as supplemented by the Second Supplemental Loan Agreement, dated as of March 1, 2011 (the “2011 Loan Obligation”) in connection with the La Quinta Financing Authority (the “Authority”) previously issued \$28,850,000 Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the “2011 Authority Bonds”) of which \$\_\_\_\_\_ are currently outstanding. The 2011 Agency Bonds and the 2011 Authority Bonds are sometimes collectively referred to herein as the “Refunded Bonds.”

In connection with such refunding, the Issuer, as successor to the La Quinta Redevelopment Agency, will enter into an Escrow Agreement, dated as of \_\_\_\_\_ 1, 2016 (the “Escrow Agreement”), by and between the Issuer and U.S. Bank National Association, as Escrow Bank.

2. Official Statement. The Issuer shall deliver, or cause to be delivered, to the Underwriter two (2) executed copies of the Official Statement prepared in connection with the Bonds, in such form as shall be approved by the Issuer and the Underwriter and such additional conformed copies thereof as the Underwriter may reasonably request. The Issuer deems the Preliminary Official Statement, dated \_\_\_\_\_, 2016 (the “Preliminary Official Statement”) to

be “final” as of its date for purposes of Rule 15c2-12. By acceptance of this Purchase Contract, the Issuer hereby authorizes the use of copies of the Official Statement in connection with the public offering and sale of the Bonds, and ratifies and approves the distribution by the Underwriter of the Preliminary Official Statement.

3. Delivery of the Bonds. At approximately 9:00 a.m., California time, on \_\_\_\_\_, 2016, or at such earlier or later time or date, as shall be agreed upon by the Issuer, and the Underwriter (such time and date herein referred to as the “Closing Date”), the Issuer shall deliver to the Underwriter, acting on its own behalf at a location to be designated by the Underwriter, in Costa Mesa, California, or such other place as designated by the Underwriter, the Bonds in definitive form and authenticated by the Trustee. The Underwriter, acting on its own behalf, shall accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by same day funds (such delivery and payment being herein referred to as the “Closing”). The form of the Bonds shall be made available to the Underwriter not later than one business day before the Closing Date for purposes of review and approval. The Bonds shall be delivered as registered bonds in the name of Cede & Co., Inc.

4. Representations and Agreements of the Issuer. The Issuer represents and agrees that:

(a) The Issuer is a public entity, duly organized and existing, and authorized to transact business and exercise powers, under and pursuant to the Constitution and laws of the State, including the Dissolution Act, and has, and at the date of the Closing will have, full legal right, power and authority (i) to enter into this Purchase Contract, (ii) to issue, sell and deliver the Bonds to the Underwriter, acting on its own behalf, as provided herein, (iii) to adopt the Resolution approving the Indenture, and (iv) to carry out and to consummate the transactions contemplated by this Purchase Contract, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement, dated as of \_\_\_\_\_, 2016 (the “Disclosure Agreement”), between the Issuer and Willdan Financial Services., as Dissemination Agent (the “Dissemination Agent”) with respect to the Bonds, and the Official Statement;

(b) The Preliminary Official Statement, as of its date, was true, correct and complete in all material respects and did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading;

(c) The Official Statement is, and will be, as of the Closing Date, true, correct and complete in all material respects and does not, and will not, as of the Closing Date, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading;

(d) The Issuer to the best of its knowledge has complied, and will at the Closing Date be in compliance, in all respects with the Bond Law, the Dissolution Act, and any other applicable laws of the State;

(e) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Issuer of the obligations on its part contained in,



the Indenture, the Escrow Agreement, the Bonds, the Disclosure Agreement and this Purchase Contract, and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded;

(f) As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the Issuer to the best of its knowledge is not and will not be in any material respect in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State, of the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, indenture, resolution, ordinance, agreement or other instrument to which the Issuer is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption of the Resolution and the execution and delivery of the Bonds, the Indenture, the Escrow Agreement, the Disclosure Agreement and this Purchase Contract, and compliance with the provisions of each thereof, will not conflict in any material way with or constitute a material breach of or material default under any law, administrative regulation, judgment, decree, loan agreement, note, indenture, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject; and, except as described in the Official Statement, the Issuer has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the revenues and amounts pledged pursuant to, or subject to the lien of, the Indenture;

(g) To the best of its knowledge all approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to adoption of the Resolution approving the Indenture, execution and delivery by the Issuer of the Indenture, the Escrow Agreement, the Disclosure Agreement, and this Purchase Contract, and the issuance, sale and delivery of the Bonds have been obtained or will be obtained prior to the Closing;

(h) The Bonds when issued, authenticated and delivered in accordance with the Indenture will be validly issued, and will be valid and binding, obligations of the Issuer;

(i) To the best of its knowledge the terms and provisions of the Indenture comply in all respects with the requirements of the Bond Law, the Dissolution Act, and the Indenture, the Escrow Agreement, the Disclosure Agreement and this Purchase Contract, when properly executed and delivered by the respective parties thereto and hereto, will constitute the valid, legal and binding obligations of the Issuer enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and general rules of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity);

(j) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending against the Issuer and notice of which has been served upon the Issuer, or to the best knowledge of the officer of the Issuer executing this Purchase Contract threatened against the Issuer, affecting the existence of the Issuer or the titles of its members or officers, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the payment or collection of any amounts pledged or to be pledged to pay the principal of, redemption premium, if any, and interest on the Bonds, or the pledge thereof, or

in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Escrow Agreement, the Disclosure Agreement or this Purchase Contract or the consummation of the transactions contemplated thereby and hereby, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the power or authority of the Issuer to issue the Bonds, to adopt the Resolution approving the Indenture or to execute and deliver the Indenture, the Escrow Agreement, the Disclosure Agreement, or this Purchase Contract, nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the Issuer's performance under the Bonds, the Indenture, the Escrow Agreement, the Disclosure Agreement, or this Purchase Contract, or the validity or enforceability of the Bonds, the Indenture, the Escrow Agreement, the Disclosure Agreement, or this Purchase Contract;

(k) Any certificate signed by an authorized officer or official of the Issuer and delivered to the Underwriter shall be deemed a representation of the Issuer to the Underwriter as to the statements made therein;

(l) Each of the Bonds shall be secured in the manner and to the extent set forth in the Indenture under which each such Bond is to be issued;

(m) The Issuer will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the Issuer shall not be required to consent to service of process outside of California;

(n) The Issuer will apply the proceeds of the Bonds in accordance with the Indenture and all other applicable documents and as described in the Official Statement;

(o) The Issuer has paid to the County Auditor-Controller the amount of "surplus" demanded, if any, by the County Auditor-Controller pursuant to Health and Safety Code Section 34183.5;

(p) The Issuer shall provide to the Underwriter, not later than seven (7) business days after the date of this Purchase Contract, but in any event in sufficient time to accompany any confirmation sent by the Underwriter to a purchaser of the Bonds, not more than 200 copies of the Official Statement to satisfy the Underwriter's obligation under Rule 15c2-12 with respect to the distribution of the Official Statement;

(q) The Oversight Board has duly adopted the Oversight Board Resolution approving the issuance of the Bonds and no further Oversight Board approval or consent is required for the issuing of the Bonds or the consummation of the transactions described in the Preliminary Official Statement;

(r) The Department of Finance of the State (the "Department of Finance") has issued a letter, dated \_\_\_\_\_, 2016, approving the issuance of the Bonds. The Issuer knows of no further Department of Finance approval or consent that is required for the issuance of the Bonds or the consummation of the transactions describe in the Preliminary

Official Statement. The Issuer has received its Finding of Completion from the Department of Finance;

(s) In the past five years, except as disclosed in the Official Statement, the City, the Prior Agency and the Issuer did not fail to comply in any material respect with its obligation to file annual reports, but did fail on occasion to timely file notices of rating changes and certain other matters. The City and the Issuer have established procedures that they believe will be sufficient to ensure timely future compliance with its continuing disclosure undertakings; and

(t) Neither the Prior Agency nor the Issuer has been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

5. Representations of the Underwriter. The Underwriter represents that it has full right, power, and authority to enter into this Purchase Contract.

6. Covenants re Official Statement. The Issuer covenants with the Underwriter that so long as the Underwriter, or dealers, if any, are participating in the distribution of the Bonds which constitute the whole or a part of their unsold participations, if an event known to the Issuer occurs affecting the Issuer, or the transactions contemplated by the Indenture and the issuance of the Bonds, which could cause the Official Statement to contain an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the Issuer shall notify the Underwriter and if in the opinion of the Issuer, the Underwriter or Bond Counsel, such event requires an amendment or supplement to the Official Statement, the Issuer will amend or supplement the Official Statement in a form and in a manner jointly approved by the Issuer and the Underwriter, and the Issuer will bear the cost of making and printing such amendment or supplement to the Official Statement and distributing such amendment or supplement to Owners of the Bonds. The obligations of the Issuer under this Section 6 shall terminate on the earlier of (a) ninety (90) days from the “end of the underwriting period,” as defined in Rule 15c2-12, or (b) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than twenty-five (25) days following the end of the underwriting period. Unless otherwise notified by the Underwriter in writing not later than thirty (30) days after the Closing Date, the Issuer may assume that the end of the underwriting period is the Closing Date.

7. Conditions to Obligations of Underwriter. The Underwriter has entered into this Purchase Contract in reliance upon the representations and agreements of the Issuer contained herein and upon the accuracy of the statements to be contained in the documents, opinions, and instruments to be delivered at the Closing. Accordingly, the Underwriter’s obligation under this Purchase Contract to purchase, accept delivery of, and pay for the Bonds on the Closing Date is subject to the performance by the Issuer of its obligations hereunder at or prior to the Closing. The following additional conditions precedent relate to the Closing, in connection with the Underwriter’s obligation to purchase the Bonds:

(a) At the time of the Closing, (i) the representations of the Issuer contained herein to the best of its knowledge shall be true, complete and correct in all material respects; and (ii) the Indenture shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter;

(b) The Underwriter shall have the right to cancel its obligation to purchase the Bonds if between the date hereof and the Closing, (i) legislation shall have been enacted (or indenture or resolution passed) by or introduced or pending legislation amended in the Congress of the United States or the State or shall have been reported out of committee or be pending in committee, or a decision shall have been rendered by a court of the United States or the State, or a ruling shall have been made or indenture shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States or other federal or State authority, with respect to State taxation upon interest on obligations of the general character of the Bonds or with respect to the security pledged to pay debt service on the Bonds, that, in the Underwriter's reasonable judgment, materially adversely affects the market for the Bonds, or the market price generally of obligations of the general character of the Bonds or (ii) there shall exist any event that, in the Underwriter's reasonable judgment, either (A) makes untrue or incorrect in any material respect any statement or information in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect, or (iii) there shall have occurred any outbreak of hostilities or other local, national or international calamity or crisis, or a default with respect to the debt obligations of, or the institution of proceedings under the federal bankruptcy laws, the effect of which on the financial markets of the United States will be such as in the Underwriter's reasonable judgment, makes it impracticable for the Underwriter to market the Bonds or enforce contracts for the sale of the Bonds, or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices of securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of determination by that Exchange or by order of the Securities and Exchange Commission of the United States or any other governmental authority having jurisdiction that, in the Underwriter's reasonable judgment, makes it impracticable for the Underwriter to market the Bonds or enforce contracts for the sale of the Bonds, or (v) a general banking moratorium shall have been declared by federal, New York or State authorities having jurisdiction and be in force that, in the Underwriter's reasonable judgment, makes it impracticable for the Underwriter to market the Bonds or enforce contracts for the sale of the Bonds, or (vi) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission of the United States or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the Bonds or any obligations of the general character of the Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect, or otherwise are or would be in violation of any provision of the federal securities laws, or (vii) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or materially increase any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, underwriters, or (viii) there shall have been any materially adverse change in the affairs of the Issuer which in the Underwriter's reasonable judgment materially adversely affects the market for the Bonds, or (ix) general political, economic or market conditions which, in the reasonable judgment of the

Underwriter, shall make it impracticable for the Underwriter to market the Bonds or enforce contracts for the sale of the Bonds; and

(c) At or prior to the Closing, the Underwriter and the Issuer shall receive the following:

(1) The unqualified approving opinion of Rutan & Tucker, LLP, Costa Mesa, California, bond counsel (the “Bond Counsel”), in form and substance acceptable to the Underwriter, addressed to the Issuer, dated the date of the Closing, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the foregoing opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it;

(2) A supplemental opinion of Bond Counsel, addressed to the Underwriter, the Issuer and Norton Rose Fulbright US LLP, Los Angeles, California, disclosure counsel (“Disclosure Counsel”), in form and substance acceptable to each of them, dated the date of Closing, to the following effect:

(i) The Issuer has duly authorized, executed and delivered the Indenture, the Escrow Agreement, the Disclosure Agreement and the Purchase Contract. The Indenture, the Escrow Agreement, the Disclosure Agreement and the Purchase Contract constitute the legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights, to the application of equitable principles when equitable remedies are sought and to the exercise of judicial discretion in appropriate cases;

(ii) The Official Statement has been duly authorized, executed and delivered by the Issuer;

(iii) The statements and information contained or summarized in the Preliminary Official Statement and Official Statement on the cover page and under the headings “INTRODUCTORY STATEMENT,” “THE BONDS,” “SECURITY FOR THE BONDS,” “THE INDENTURE,” “CONCLUDING INFORMATION – Legal Opinion,” “CONCLUDING INFORMATION – Tax Matters,” “APPENDIX A – Definitions” and “APPENDIX B – Form of Bond Counsel Opinion” (but not including any statistical or financial information set forth under such headings, as to which no opinion need be expressed) insofar as such statements purport to summarize certain provisions of the Bond Law, the Dissolution Act, the Redevelopment Law, the Bonds, the Indenture and the Escrow Agreement, and the opinion of such Bond Counsel concerning certain federal and state tax matters relating to the Bonds, are accurate in all material respects;

(iv) The Bonds are exempt from registration under the Securities Act of 1933, as amended;

(v) The Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; and

(vi) The Issuer has obtained all authorizations, approvals, consents or other orders of the State or any other governmental authority or agency within the State having jurisdiction over the Issuer for the valid authorization, issuance and delivery by the Issuer of the Bonds.

(3) The opinion of counsel to the Issuer, addressed to the Underwriter and the Issuer, in form and substance acceptable to each of them, dated the date of the Closing, to the following effect:

(i) The Issuer is a public entity, duly organized and validly existing under and by virtue of the Constitution and the laws of the State;

(ii) The Indenture, the Disclosure Agreement, the Escrow Agreement, and the Purchase Contract have been duly approved by the Resolution of the Issuer adopted at a regular meeting duly called and held in accordance pursuant to law and with all public notice required by law and at which a quorum of the members of the Issuer was continuously present, and the Resolution is in full force and effect and has not been modified, amended or rescinded;

(iii) The Indenture, the Disclosure Agreement, the Escrow Agreement, and the Purchase Contract have been duly approved by the Oversight Board Resolution adopted at a special meeting duly called and held in accordance pursuant to law and with all public notice required by law and at which a quorum of the members of the Oversight Board was continuously present, and the Oversight Board Resolution is in full force and effect and has not been modified, amended or rescinded;

(iv) The information in the Official Statement under the captions “SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY” and “THE PROJECT AREAS,” insofar as such statements purport to summarize information with respect to the Issuer and its Pass-Through obligations, fairly and accurately summarizes the information presented therein;

(v) Except as described in the Official Statement, there is no litigation pending against the Issuer and notice of which has been served on the Issuer, or to the best of such counsel’s knowledge after due inquiry, threatened against the Issuer, which: (a) challenges the right or title of any member or officer of the Issuer to hold his or her respective office or exercise or perform the powers and duties pertaining thereto; (b) challenges the validity or enforceability of the Bonds, the Indenture, the Escrow Agreement, the Disclosure Agreement, or the Purchase Contract; (c) seeks to restrain or enjoin the issuance and sale of the Bonds, the adoption or effectiveness of the Resolution and Indenture, or the execution and delivery by the Issuer of, or the performance by the Issuer of its obligations under the Bonds, the

Indenture, the Escrow Agreement, the Disclosure Agreement, or the Purchase Contract; or (d) if determined adversely to the Issuer or its interests, would have a material and adverse affect upon the financial condition, assets, properties or operations of the Issuer; and

(vi) The execution and delivery by the Issuer of, and the performance by the Issuer of its obligations under, the Bonds, the Indenture, the Escrow Agreement, the Disclosure Agreement, and the Purchase Contract, do not in any material respect conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the Issuer is a party or by which it is bound.

(4) A certificate dated the date of the Closing, signed by the Executive Director or appropriate officer of the Issuer, to the effect that to the best of such officer's knowledge: (i) the representations and covenants of the Issuer contained herein are true and correct in all material respects on and as of the date of the Closing with the same effect as if made on the Closing Date; (ii) the Issuer has complied with all the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to the Closing; (iii) no event affecting the Issuer has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and (iv) the Indenture remains in full force and effect and has not been amended in any respect, except as approved in writing by the Underwriter, since the date of the Indenture;

(5) A certificate of the Trustee dated the date of the Closing, to the effect that: (i) the Trustee is organized and existing as a national banking association under and by virtue of the laws of the United States of America, having full power and being qualified and duly authorized to perform the duties and obligations of the Trustee and Escrow Bank under and pursuant to the Indenture and the Escrow Agreement (together, the "Trustee Documents"); (ii) the Trustee has agreed to perform the duties and obligations of the Trustee as set forth in the Indenture; (iii) to the best of its knowledge, compliance with the provisions on the Trustee's part contained in the Trustee Documents will not conflict with or constitute a breach of or default under the Articles of Incorporation or Bylaws of the Trustee or any material law, administrative regulation, judgment, decree, loan agreement, indenture, resolution, bond, note, agreement or other instrument to which the Trustee is a party or is otherwise subject, as a result of which the Trustee's ability to perform its obligations under the Trustee Documents would be impaired, nor will any such compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, agreement or other instrument, except as provided by the Trustee Documents; and (iv) to the best of the knowledge of the Trustee, the Trustee has not been served in any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending nor is any such

action, suit, proceeding, inquiry or investigation threatened against the Trustee, affecting the existence of the Trustee, or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the delivery of the Bonds issued under the Indenture or the collection of revenues pledged or to be pledged to pay the principal of, premium, if any, and interest on the Bonds issued under the Indenture, or the pledge thereof, or in any way contesting the powers of the Trustee or its authority to enter into or perform its obligations under the Trustee Documents, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Indenture or the Disclosure Agreement;

(6) An opinion of counsel to the Trustee dated the Closing Date and addressed to the Issuer and the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that: (i) the Trustee has been duly organized and is validly existing and in good standing as a national banking association under the laws of the United States of America with full corporate power to undertake the trust of the Indenture; (ii) the Trustee has duly authorized, executed and delivered the Trustee Documents, and by all proper corporate action has authorized the acceptance of the duties and obligations of the Trustee under the Trustee Documents and to authorize in its capacity as trustee thereunder the authentication and delivery of the Bonds; (iii) assuming due authorization, execution and delivery by the City, the Trustee Documents are valid, legal and binding agreements of the Trustee, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law); (iv) exclusive of federal or state securities laws and regulations, to the best of such counsel's knowledge after reasonable inquiry and investigation, other than routine filings required to be made with governmental agencies in order to preserve the Trustee's authority to perform a trust business (all of which routine filings such counsel believes, after reasonable inquiry and investigation, to have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Trustee Documents or the authentication and delivery of the Bonds; (v) to the best of such counsel's knowledge, the execution and delivery by the Trustee of the Trustee Documents and the Bonds, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, or (except with respect to the lien of the Indenture) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee; and (vi) to the best of such counsel's knowledge, there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Bonds and the Trustee Documents;



(7) Two (2) copies of this Purchase Contract duly executed and delivered by the parties thereto;

(8) Two (2) copies of the Official Statement, executed on behalf of the Issuer by the Executive Director of the Issuer;

(9) One (1) certified copy of the Indenture, the Escrow Agreement, the Disclosure Agreement, and all resolutions of the Issuer and the Oversight Board relating to the issuance of the Bonds (including without limitation the Resolution and the Oversight Board Resolution);

(10) An opinion, dated the date of the Closing and addressed to the Underwriter and the Issuer, of Disclosure Counsel, to the effect that based upon its participation in the preparation of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the statements in the Official Statement such Counsel has no reason to believe that, as of the date of Closing, the Official Statement (except for Appendices A, B, C, E, F, G and H to the Official Statement, any information about the book-entry system or DTC, the bond insurance policy and the bond insurer, statements relating to the treatment of the Bonds or the interest or discount related thereto for tax purposes under the law of any jurisdiction, or financial, statistical and numerical data included in the Official Statement, as to which no view need be expressed) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(11) A defeasance opinion of Bond Counsel, dated the Closing Date, to the effect that the lien of the Refunded Bonds with respect to the Pledged Tax Revenues has been discharged;

(12) A Certificate of Willdan Financial Services (“Willdan”), to the following effect:

(i) Willdan is duly authorized to execute and deliver the Continuing Disclosure Agreement and to perform as Dissemination Agent thereunder, and Willdan had duly executed and delivered the Disclosure Agreement;

(ii) Willdan’ execution and delivery of the Disclosure Agreement and performance as Dissemination Agent thereunder do not and will not conflict in any way with any law, judgment, agreement or other instrument to which Willdan is a party or is subject; and

(iii) In the past five years, the City, the Prior Agency and the Issuer did not fail to comply in any material respect with its obligation to file annual reports, but did fail on occasion to timely file notices of rating changes and certain other matters. The City or the Issuer subsequently filed all such notices and has established procedures that they believe will be sufficient to

ensure timely future compliance with its continuing disclosure undertakings pursuant to Rule 15c2-12.

(13) A Certificate of Harrell & Company Advisors (“Financial Advisor”) to the following effect:

(i) in connection with the issuance of the Bonds, Financial Advisor has provided the Issuer certain projections and estimates (the “Projections”) and a fiscal consultant report (the “Financial Advisor’s Report”) with respect to the taxable valuation and Pledged Tax Revenues with respect to the Project Areas. The Financial Advisor has obtained such information from the County of Riverside and other sources as the Financial Advisor deemed necessary and relevant to generate the Financial Advisor’s Report and to express an informed opinion with respect to the matters discussed in such Financial Advisor’s Report;

(ii) the Financial Advisor has reviewed the Official Statement and, in particular, information presented in the tables set forth in the Official Statement under the captions “THE PROJECT AREAS” and “PLEGGED TAX REVENUES,” and as of the date of the Official Statement and as of the Closing Date, such information and the Financial Advisor’s Report fairly and accurately reflect the Projections and, to the best knowledge of the Financial Advisor, do not contain any untrue or misleading statement of a material fact and do not fail to state a material fact necessary in order to make the information contained therein, not misleading;

(iii) Nothing has come to the attention of the Financial Advisor which would cause the Financial Advisor to believe that the statements and information contained in the Official Statement that are attributable to the Financial Advisor, including but not limited information under the captions “THE PROJECT AREAS,” “PLEGGED TAX REVENUES” and “APPENDIX F – Financial Advisor’s Report” as of the date of the Official Statement, are inaccurate in any material respect; and no event or act known to the Financial Advisor has occurred since the date of the Official Statement which would make such statements and information inaccurate or misleading;

(iv) the Financial Advisor affirms its consent to the inclusion of such Projections in the Official Statement and the reproduction of the Financial Advisor’s Report in the appendices of the Official Statement;

(14) A municipal bond insurance policy insuring the payment of principal and interest on [the \_\_\_\_ and \_\_\_\_ maturities on] the Bonds (the “Bond Insurance Policy”), issued by [BOND INSURER] (the “Bond Insurer”);

(15) A certificate of the Bond Insurer of an opinion of counsel to the Bond Insurer, dated the date of Closing, regarding the accuracy of the information in the Official Statement describing the Bond Insurer and the Bond Insurance Policy;

(16) An opinion (or opinions) of counsel to the Bond Insurer, dated the date of Closing, addressed to the Issuer, the Trustee and the Underwriter, regarding the Bond Insurer's valid existence, power and authority, the Bond Insurer's due authorization and issuance of the Bond Insurance Policy and, the Bond Insurance Policy's enforceability against the Bond Insurer;

(17) A rating letter from S&P Global Ratings confirming the rating on the Bonds;

(18) A verification Report prepared by [Grant Thornton, Minneapolis, Minnesota] in form satisfactory to Bond Counsel; and

(19) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, Bond Counsel or Disclosure Counsel may reasonably request to evidence compliance by the Issuer with this Purchase Contract, legal requirements, and the performance or satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Issuer.

The Issuer will furnish the Underwriter with such conformed copies of such opinions, certificates, letters and documents as the Underwriter may reasonably request. If the Issuer is unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and none of the Underwriter, the Issuer shall have any further obligations hereunder. However, the Underwriter may in its discretion waive one or more of the conditions imposed by this Purchase Contract for the protection of the Underwriter and proceed with the related Closing.

If this Purchase Agreement shall be terminated pursuant to this Section, including but not limited to paragraphs (b) and (c), or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligation hereunder is not satisfied or because of any refusal, inability or failure on the part of the Issuer to comply with any of the terms or to fulfill any of the conditions of this Purchase Agreement, or if for any reason the Issuer shall be unable to perform all of their respective obligations under this Purchase Agreement, the Issuer shall not be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Purchase Agreement.

#### 8. Expenses.

The Underwriter shall be under no obligation to pay, and the Issuer shall pay from its available funds or from the proceeds of the Bonds, certain expenses set forth in this Section, including but not limited to: (i) all expenses in connection with the preparation, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto, (ii) all expenses in connection with the printing, issuance and delivery of the Bonds, (iii) the fees and disbursements of Bond Counsel and Disclosure Counsel in connection with the Bonds, (iv) the fees and disbursements of counsel to the Issuer in connection with the Bonds, (v) the disbursements of the Issuer in connection with the issuance of the Bonds, (vi) the fees and disbursements of the Trustee, (vii) rating agency fees, (viii) fees of the Financial Advisor, and (ix) bond insurance and Debt Service Reserve Surety premiums.

The Underwriter shall pay (i) fees, if any, payable to the California Debt and Investment Advisory Commission in connection with the issuance of the Bonds; (ii) the cost of preparation of the Blue Sky and Legal Investment Memoranda and all Blue Sky filing fees in connection with the public offering of the Bonds; (iii) all advertising expenses in connection with the public offering of the Bonds; and (iv) all other expenses incurred by it in connection with its public offering and distribution of the Bonds.

9. Notice. Any notice or other communication to be given to the Issuer under this Purchase Contract may be given by delivering the same in writing at the address set forth above. Any such notice or communication to be given to the Underwriter may be given by delivering the same in writing to:

Hilltop Securities Inc.  
2533 S. Coast Hwy. 101, Suite 250  
Cardiff by the Sea, California 92007  
Attention: Ms. Robin M. Thomas

10. Governing Law. This Purchase Contract shall be governed by the laws of the State of California. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

11. Parties in Interest. This Purchase Contract is made solely for the benefit of the signatories hereto (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof except as provided in Section 11 hereof. All representations in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) delivery of and payment for any of the Bonds and (b) any termination of this Purchase Contract.

Respectfully submitted,

HILLTOP SECURITIES INC.

By: \_\_\_\_\_  
Its: Senior Vice President

Accepted as of the date first stated above:

SUCCESSOR AGENCY TO THE  
LA QUINTA REDEVELOPMENT AGENCY

By \_\_\_\_\_  
Its: Executive Director

**APPENDIX A**

\$ \_\_\_\_\_

**SUCCESSOR AGENCY TO THE  
LA QUINTA REDEVELOPMENT AGENCY  
La Quinta Redevelopment Project Areas No. 1 and 2  
Subordinate Tax Allocation Refunding Bonds  
2016 Taxable Series A**

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>
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## PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2016

## ATTACHMENT 2

## NEW ISSUE—BOOK-ENTRY

S&P: “\_\_\_” (Insured)  
“\_\_\_” (Underlying)

(See “CONCLUDING INFORMATION — Ratings” Herein)

*In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from State of California personal income taxes. [TO BE CONFIRMED BY BOND COUNSEL] See “CONCLUDING INFORMATION — Tax Matters” herein.*

\$ \_\_\_\_\_\*

**SUCCESSOR AGENCY TO THE  
LA QUINTA REDEVELOPMENT AGENCY  
La Quinta Redevelopment Project Areas No. 1 and 2  
Subordinate Tax Allocation Refunding Bonds  
2016 Taxable Series A**

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

The \$ \_\_\_\_\_\* Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A (the “Bonds”) will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. The interest on the Bonds (due March 1 and September 1 of each year, commencing \_\_\_\_\_ 1, 2016) will be payable by U.S. Bank National Association, as Trustee, to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds (see “THE BONDS — Book-Entry System” herein).

The Bonds are being issued by the Successor Agency to the La Quinta Redevelopment Agency (the “Agency”) to refinance on an advance basis the La Quinta Redevelopment Agency’s (the “Prior Agency”) previously issued \$6,000,000 La Quinta Redevelopment Project Area No. 2, Subordinate Taxable Tax Allocation Bonds, Series 2011 (the “2011 Agency Bonds”) of which \$ \_\_\_\_\_ are currently outstanding and the Prior Agency’s loan obligation under the Loan Agreement, dated February 3, 2004 as supplemented by the Second Supplemental Loan Agreement, dated as of March 1, 2011 (the “2011 Loan Obligation”) in connection with the La Quinta Financing Authority previously issued \$28,850,000 Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the “2011 Authority Bonds”) of which \$ \_\_\_\_\_ are currently outstanding. The 2011 Agency Bonds and the 2011 Authority Bonds are sometimes collectively referred to herein as the “Refunded Bonds.”

**The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described under “THE BONDS” herein.**

The Bonds are being issued on a subordinate basis to the \$65,600,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds, 2014 Series A (the “2014 Bonds”) of which \$ \_\_\_\_\_ are currently outstanding. The Agency previously issued \$97,190,000 La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A (the “2013A Bonds”) of which \$ \_\_\_\_\_ are currently outstanding and the \$23,055,000 La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B (the “2013B Bonds”) of which \$ \_\_\_\_\_ are currently outstanding. The Bonds are being issued on a parity with the 2013A Bonds and the 2013B Bonds.

The Bonds are payable from and secured by the Pledged Tax Revenues, as defined herein, to be derived from the La Quinta Redevelopment Project Area No. 1 and La Quinta Redevelopment Project Area No. 2 (the “Project Areas”). Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the base year property tax rolls deposited in the Redevelopment Property Tax Trust Fund and, to the extent they constitute Pledged Tax Revenues, shall be deposited in the Redevelopment Obligation Retirement Fund, and administered by the Agency and the Trustee in accordance with the Indenture (as herein defined).

[The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by [INSURER]. See “BOND INSURANCE” and Appendix G — Specimen Municipal Bond Insurance Policy.]

[INSURER LOGO]

**This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described herein.**

The Bonds are not a debt of the City of La Quinta, the State of California or any of its political subdivisions (except the Agency) and neither said City, said State or any of its political subdivisions (except the Agency) is liable therefor. The principal of and interest on the Bonds are payable solely from the Pledged Tax Revenues allocated to the Agency from the Project Areas (all as defined herein and in the Indenture) and other funds 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.

*The Bonds are offered, when, as and if issued, subject to the approval of Rutan & Tucker, LLP, Costa Mesa, California, Bond Counsel. Certain legal matters will be passed on for the Agency by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel. Certain legal*

\* Preliminary; subject to change.



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*matters will be passed on for the Agency by Rutan & Tucker, LLP, Costa Mesa, California, as Agency Counsel, and for the Underwriter by Best Best & Krieger, LLP, Riverside, California, as Underwriter's Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about \_\_\_\_\_, 2016.*

## HilltopSecurities

**SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY**  
**La Quinta Redevelopment Project Areas No. 1 and 2**  
**Subordinate Tax Allocation Refunding Bonds**  
**2016 Taxable Series A**

**Maturity Schedule\***

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup></b>
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\$ \_\_\_\_\_ % Term Bonds due September 1, 20\_\_ Yield: \_\_\_\_\_%, Price: \_\_\_\_\_% CUSIP<sup>†</sup> \_\_\_\_\_

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\* Preliminary; subject to change.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Global Marketing Intelligence. Copyright® 2016 CUSIP Global Services. CUSIP® numbers are provided for convenience of reference only. Neither the Agency nor the Underwriter takes any responsibility for the accuracy of such numbers.

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**SUCCESSOR AGENCY TO THE  
LA QUINTA REDEVELOPMENT AGENCY  
LA QUINTA, CALIFORNIA**

**BOARD OF DIRECTORS**

Linda Evans, *Chair*  
John Peña, *Vice-Chair*  
Kristy Franklin, *Member*  
Lee M. Osborne, *Member*  
Robert Radi, *Member*

**AGENCY/CITY STAFF**

Frank J. Spevacek, *Executive Director/City Manager*  
Susan Maysels, *Agency Secretary/City Clerk*  
\_\_\_\_\_, *Finance Director*  
Katherine Jenson, *Agency Counsel/City Attorney*

**SPECIAL SERVICES**

**Bond Counsel**

Rutan & Tucker LLP  
Costa Mesa, California

**Disclosure Counsel**

Norton Rose Fulbright US LLP  
Los Angeles, California

**Trustee and Escrow Bank**

U.S. Bank National Association  
Los Angeles, California

**Financial Advisor**

Harrell & Company Advisors, LLC  
Orange, California

**Dissemination Agent**

Willdan Financial Services  
Temecula, California

**Underwriter**

Hilltop Securities, Inc.  
Cardiff by the Sea, California

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the Agency with respect to the Bonds that has been deemed “final” by the Agency as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Bonds described in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement does not constitute a contract between any Bond owner and the Agency or the Underwriter.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure made by the Agency, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. 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.

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

**Document Summaries.** All summaries of the Indenture or other documents contained in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. All references in this Official Statement to the Indenture and such other documents are qualified in their entirety by reference to such documents, which are on file with the Agency.

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

**No Registration with the SEC.** The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

**Public Offering Prices.** The Underwriter 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 of this Official Statement, and the Underwriter may change those public offering prices from time to time.

**Web Page.** The City of La Quinta maintains a website. However, the information maintained on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

**[INSURER].** [INSURER]. (“Insurer”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Insurer supplied by Insurer and presented under the heading “BOND INSURANCE” and “Appendix H — SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

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**OFFICIAL STATEMENT**

\$ \_\_\_\_\_\*

**SUCCESSOR AGENCY TO THE  
LA QUINTA REDEVELOPMENT AGENCY  
La Quinta Redevelopment Project Areas No. 1 and 2  
Subordinate Tax Allocation Refunding Bonds  
2016 Taxable Series A**

**INTRODUCTORY STATEMENT**

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the La Quinta Redevelopment Agency (the “Agency”) of its \$ \_\_\_\_\_\* La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A (the “Bonds”).

**Authority and Purpose**

The Bonds are being issued pursuant to the Constitution and laws of the State of California (the “State”), including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Bond Law”) and an Indenture of Trust dated as of \_\_\_\_\_ 1, 2016 (the “Indenture”), by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”). See “THE BONDS — Authority for Issuance.”

The Bonds are being issued by the Successor Agency to the La Quinta Redevelopment Agency (the “Agency”) to refinance on an advance basis the La Quinta Redevelopment Agency’s (the “Prior Agency”) previously issued \$6,000,000 La Quinta Redevelopment Project Area No. 2, Subordinate Taxable Tax Allocation Bonds, Series 2011 (the “2011 Agency Bonds”) of which \$ \_\_\_\_\_ are currently outstanding and the Prior Agency’s loan obligation under the Loan Agreement, dated February 3, 2004 as supplemented by the Second Supplemental Loan Agreement, dated as of March 1, 2011 (the “2011 Loan Obligation”) in connection with the La Quinta Financing Authority (the “Authority”) previously issued \$28,850,000 Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the “2011 Authority Bonds”) of which \$ \_\_\_\_\_ are currently outstanding. The 2011 Agency Bonds and the 2011 Authority Bonds are sometimes collectively referred to herein as the “Refunded Bonds.”

The City of La Quinta (the “City”) is located 127 miles east of Los Angeles and 20 miles east of Palm Springs in Riverside County (the “County”). The City was originally a general law city incorporated on May 1, 1982, became a charter city in November, 1996 and provides for a Council-City Manager form of government consisting of five Council Members elected to four-year overlapping terms. The Mayor is directly elected by the citizens to a two year term. The City encompasses an area of approximately 35.31 square miles. The population of the City was estimated to be 39,977 as of January 1, 2016. See Appendix G — “SUPPLEMENTAL INFORMATION — THE CITY OF LA QUINTA.”

The Prior Agency was established on July 5, 1983 by the City Council of the City with the adoption of Ordinance No. 34, pursuant to the Community Redevelopment Law (Part 1, Division 25, commencing with Section 33000 of the Health and Safety Code of the State) (the “Redevelopment Law”). On June 29, 2011, Assembly Bill No. 26 (“ABx1 26”) was enacted as Chapter 5, Statutes of 2011,

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\* Preliminary; subject to change.

together with a companion bill, Assembly Bill No. 27 (“ABx1 27”). A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of ABx1 26 and ABx1 27. The California Supreme Court largely upheld ABx1 26, invalidated ABx1 27, and held that ABx1 26 may be severed from ABx1 27 and enforced independently. As a result of ABx1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by ABx1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“AB 1484”), enacted as Chapter 26, Statutes of 2012 and as further amended on September 22, 2015 by Senate Bill 107 (“SB 107”), enacted as Chapter 325, Statutes of 2015 (collectively, as amended from time to time, the “Dissolution Act”).

On January 3, 2012, the City Council of the City elected to serve as the Agency, pursuant to Resolution No. 2012-002, adopted by the City as the governing body of the Agency and Section 34173 of the Dissolution Act. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

### **The Redevelopment Plans**

The Redevelopment Plan for the La Quinta Redevelopment Project Area No. 1 was approved by Ordinance No. 43 adopted by the City Council on November 29, 1983, and has been amended several times. The La Quinta Redevelopment Project Area No. 1 (“Project Area No. 1”) encompasses 17.9 square miles (11,475 acres) of commercial, public and residential properties.

The Redevelopment Plan for the La Quinta Redevelopment Project Area No. 2 was approved by Ordinance No. 139 adopted by the City Council on May 16, 1989, and has also been amended several times. The La Quinta Redevelopment Project Area No. 2 (“Project Area No. 2”) encompasses 4.9 square miles (3,130 acres) of commercial, public and residential properties.

Project Area No. 1 and Project Area No. 2 are referred to herein as the “Project Areas,” and the Redevelopment Plans for Project Area No. 1 and Project Area No. 2 are referred to herein as the “Redevelopment Plans.”

### **Tax Allocation Financing**

Prior to the enactment of ABx1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated

to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of monies deposited from time to time in a Redevelopment Property Tax Trust Fund (the “Redevelopment Property Tax Trust Fund”) held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. Under the Indenture, Pledged Tax Revenues consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act less certain payments to taxing agencies but subject to any adjustments thereto pursuant to Section 34183(b) of the Dissolution Act and amounts required to pay debt service on the Senior Bonds, as defined below. See “SECURITY FOR THE BONDS — Tax Increment Financing” herein for additional information.

### **Security for the Bonds**

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency had the Prior Agency not been dissolved pursuant to the operation of ABx1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to effective date of ABx1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency’s Recognized Obligation Payment Schedule (see Appendix A — “DEFINITIONS” and “SECURITY FOR THE BONDS — Recognized Obligation Payment Schedule”).

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the Bonds, are taxes allocated to the Agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law, as described in the foregoing paragraph.

In accordance with the Dissolution Act, “Pledged Tax Revenues” are defined under the Indenture as the portion of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act less the amount required to pay debt service on the Senior Bonds, as defined below. In accordance with the Dissolution Act, the Bonds shall be payable from and secured by the Pledged Tax Revenues. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

The Agency believes that pursuant to the Dissolution Act that the Subordinated Pass-Through Amounts in Project Area No. 1 are included in the amounts pledged to the Bonds and, in certain circumstances, would be available pursuant to Health & Safety Code Section 34183(b) to pay the Bonds. The Financial Advisor has deducted the Subordinated Pass-Through Amounts in calculating Pledged Tax

Revenues available to pay debt service shown in the table entitled “SUCCESSOR AGENCY PROJECTED PLEDGED TAX REVENUES” and the tables under the heading “Debt Service Coverage” herein.

The Bonds are payable from and secured by the Pledged Tax Revenues to be derived from the Project Areas, all of the monies in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act after payment of debt service on the Senior Bonds, as defined below, and all of the monies in the Debt Service Fund (including the Interest Account, the Principal Account, and the Reserve Account therein) established and held by the Trustee under the Indenture on a subordinate basis to the Senior Bonds. Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see “SECURITY FOR THE BONDS — Recognized Obligation Payment Schedule”). Monies deposited by the County Auditor-Controller into the Agency’s Redevelopment Obligation Retirement Fund, after payment of the Senior Bonds, will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “RISK FACTORS.”

### **Senior Bonds**

The Bonds are being issued by the Agency on a subordinate basis to the \$65,600,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds, 2014 Series A (the “2014 Bonds” or the “Senior Bonds”) of which \$\_\_\_\_\_ are currently outstanding.

### **Reserve Account**

The Indenture provides that in lieu of a cash deposit, the Agency may satisfy all or a portion of a Reserve Requirement by means of a Reserve Account Surety Bond (see “THE INDENTURE” herein). In order to further secure the payment of the principal of and interest on the Bonds, the Agency intends to satisfy the Reserve Requirement for the Bonds by using a portion of the proceeds of the Bonds to purchase a Reserve Account Surety Bond in the face amount of \$\_\_\_\_\_ (see “Reserve Account Surety Bond” below) which is equal to the Reserve Requirement of the Bonds. “Reserve Requirement” means, as of the date of computation, an amount equal to the combined lesser of (i) Maximum Annual Debt Service on the Bonds and any Parity Bonds, (ii) 10% of the net proceeds of the Bonds and any Parity Bonds, or (iii) 125% of the Annual Debt Service on all Bonds and any Parity Bonds Outstanding.

***Reserve Account Surety Bond.*** Concurrently with the issuance of the Bonds, the Insurer will issue a Reserve Account Municipal Bond Insurance Policy (the “Reserve Account Municipal Bond Insurance Policy”) with respect to the Bonds. The Reserve Account Municipal Bond Insurance Policy provides that the Insurer will make payment to the Trustee on the later of the Business Day on which principal and interest becomes due for Payment or the Business Day next following the Business Day on which the Insurer shall have received Notice of Nonpayment, not to exceed the Policy Limit of \$\_\_\_\_\_.

**Further Information**

Brief descriptions of the Bonds, the Indenture, the Agency, the Prior Agency and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bond Law, the Redevelopment Law, the Dissolution Act, the Constitution and the laws of the State as well as the proceedings of the Prior Agency, the Agency, and the City are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by the form thereof included in the Indenture and the information with respect thereto included herein, copies of which are all available for inspection at the offices of the Agency. During the period of the offering of the Bonds, copies of the forms of all documents are available at the offices of Hilltop Securities, Inc., 2533 South Coast Hwy 101, Suite 250, Cardiff by the Sea, California 92007, and thereafter from the City Clerk’s office, City of La Quinta, 78-495 Calle Tampico, La Quinta, California 92253.

**BOND INSURANCE**

[TO COME]

**SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds is summarized as follows:

**Sources:**

- Principal Amount of Bonds
- Underwriter’s Discount
- Original Issue Premium/(Discount)
- Total Sources

**Uses:**

- Escrow Fund<sup>(1)</sup>
- Costs of Issuance Fund<sup>(2)</sup>
- Total Uses

<sup>(1)</sup> Amount sufficient to pay principal, redemption price and interest through and including the 2011 Agency Bonds and the 2011 Authority Bonds on [September 1, 2020].

<sup>(2)</sup> Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Financial Advisor, Trustee, printing expenses, rating fee, bond insurance premiums, Reserve Account Surety Bond premiums and other costs.

**THE BONDS**

**Authority for Issuance**

The Bonds were authorized for issuance pursuant to the Indenture, the Bond Law, and the Dissolution Act. The issuance of the Bonds and the Indenture were authorized by the Agency pursuant to Resolution No. SA \_\_\_\_\_ adopted on \_\_\_\_\_, 2016 (the “Resolution”), and by the Oversight Board for the Agency pursuant to Resolution No. OB \_\_\_\_\_ adopted on \_\_\_\_\_, 2016 (the “Oversight Board Action”).

Written notice of the Oversight Board Resolution was provided to the California Department of Finance (“DOF”) pursuant to the Dissolution Act on \_\_\_\_\_, 2016, and the DOF requested a review within five business days of such written notice. On \_\_\_\_\_, 2016, which is within the time period allotted under the Dissolution Act for the DOF to review the Oversight Board’s approving resolution, the DOF provided a letter to the Agency stating that based on the DOF’s review and application of the law, the Oversight Board Action approving the Bonds is approved by the DOF. The Oversight Board subsequently adopted a new resolution approving the issuance of refunding bonds in one or more series and gave written notice of such action to DOF as required by the Dissolution Act on \_\_\_\_\_, 2016. DOF requested review of such action within five business days. On \_\_\_\_\_, 2016 DOF provided a letter stating that based on the DOF’s review and application of the law, the Oversight Board action approving the Bonds is approved by DOF. A copy of the letter from DOF can be obtained from the Agency.

**Description of the Bonds**

The Bonds will be executed and delivered as one fully-registered Bond in the denomination of \$5,000 or any integral multiple thereof for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), as registered owner of all Bonds. See “Book-Entry System” below. The initially executed and delivered Bonds will be dated the Delivery Date and mature on September 1 in the years and in the amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will be calculated at the rates shown on the inside cover page of this Official Statement, payable semiannually on March 1 and September 1 in each year, commencing on [September 1, 2016], by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date.

**Book-Entry System**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See Appendix C — “BOOK-ENTRY ONLY SYSTEM.”

**Optional Redemption\***

*Optional Redemption.* The Bonds may be called before maturity and redeemed at the option of the Agency, in whole or in part, from the proceeds of refunding bonds or other available funds, on September 1, 20\_\_ or on any date thereafter prior to maturity. Bonds called for redemption will be redeemed at the following redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) plus accrued interest to the redemption date:

<i>Redemption Date</i>	<i>Redemption Price</i>
September 1, 20__ and thereafter	100%

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\* Preliminary; subject to change.

**Sinking Fund Redemption**

The Bonds maturing on September 1, 20\_\_, and September 1, 20\_\_ will be subject to mandatory redemption in part, by lot, on September 1, 202\_\_, and September 1, 20\_\_ and on each September 1 until maturity, at a redemption price equal to the principal amount thereof together with accrued interest thereon to the redemption date, without premium, from minimum sinking fund payments on hand in the Debt Service Fund in the years and amounts as follows:

**20\_\_ TERM BONDS**

*Year* *Amount*

(maturity)

**20\_\_ TERM BONDS**

*Year* *Amount*

(maturity)

**SECURITY FOR THE BONDS**

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Prior Agency not been dissolved pursuant to the operation of ABx1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to effective date of ABx1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency’s Recognized Obligation Payment Schedule (see Appendix A — “DEFINITIONS” and “SECURITY FOR THE BONDS — Recognized Obligation Payment Schedule”).

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Agency under the Dissolution Act, including the Bonds, are taxes allocated to the Agency pursuant to the subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plans, taxes levied upon taxable property in the Project Areas each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called “taxing agencies”) after the effective date of the ordinance approving the Redevelopment Plans, or the respective

effective dates of ordinances approving amendments to the Redevelopment Plans that added territory to the Project Areas, as applicable, are to be divided as follows:

(a) *To Taxing Agencies:* That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Areas as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plans, or the respective effective dates of ordinances approving amendments to the Redevelopment Plans that added territory to the Project Areas, as applicable (each, a “base year valuation”), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) *To the Prior Agency/Agency:* Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limit following the Delivery Date, when collected will be paid into a special fund of the Prior Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Agency to pay the debt service on indebtedness incurred by the Prior Agency or the Agency to finance or refinance the redevelopment projects of the Prior Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above.

“Pledged Tax Revenues” are defined under the Indenture as the portion of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act less the amount required to pay debt service on the Senior Bonds. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

On a subordinate basis to the Senior Bonds (see “INTRODUCTORY STATEMENT — Senior Bonds”) the Bonds are payable from and secured by (i) an irrevocable pledge of the Pledged Tax Revenues to be derived from the Project Areas, (ii) an irrevocable pledge of all of the monies in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act after payment of the Senior Bonds, and (iii) an irrevocable first pledge and lien on all of the monies in the Debt Service Fund (including the Interest Account, the Principal Account and the Reserve Account therein) established and held by the Trustee in trust for the Bondowners under the Indenture.

Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various



territories within the Project Areas, after deducting the county administration costs will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency's Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see "SECURITY FOR THE BONDS — Recognized Obligation Payment Schedule"). Monies deposited by the County Auditor-Controller into the Agency's Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund for the Senior Bonds and then for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

The Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Pledged Tax Revenues available in any six-month period to pay the principal of and interest on the Bonds (see "SECURITY FOR THE BONDS — Tax Increment Financing" and "— Recognized Obligation Payment Schedule" and "RISK FACTORS").

The Bonds are not a debt of the City, the State or any of its political subdivisions (except the Agency), and none of the City, the State or any of its political subdivisions (except the Agency) is liable therefor. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

### **Tax Increment Financing**

Prior to the enactment of ABx1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of monies deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a)(1) of the Dissolution Act for payments to other taxing agencies, but subject to prior deduction from such amounts pursuant to Section 34183(b) of Subordinated Pass-Through Amounts. Under the Indenture, Pledged Tax Revenues consist of the amounts distributed semi-annually from the Redevelopment Property Tax Trust Fund pursuant to Section 34183(a)(2) of the Dissolution Act after payment of the Senior Bonds (see "INTRODUCTORY STATEMENT — Senior Bonds"). Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See "RISK FACTORS."

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Dissolution Act has only required that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as

tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area, the Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states, “It is the intent ... that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.” The implications of these provisions of the Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area. The Prior Agency established two redevelopment project areas which are referred to herein as the Project Areas. The Pledged Tax Revenues will include tax revenues derived from the Project Areas. The Agency will continue to administer moneys in the Redevelopment Obligation Retirement Fund in accordance with the provisions of the Senior Bond Indenture.

### **Redevelopment Property Tax Trust Fund**

The Redevelopment Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. The Prior Agency entered into several agreements for this purpose (the “Pass-Through Agreements”). Some, but not all, of the Pass-Through Agreements in Project Area No. 1 expressly provide that payments thereunder are subordinate to payments on the Prior Agency’s bonds. (See “THE PROJECT AREAS — Pass Through Agreements and Obligations with Various Taxing Agencies”). Additionally, Section 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the “Statutory Pass-Through Amounts”). The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under the Pass-Through Agreements and for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed to the Agency’s Redevelopment Obligation Retirement Fund each January 2 and June 1, unless (i) pass through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Prior Agency, as succeeded by the Agency, (ii) the Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Agency’s enforceable obligations, pass-through payments, and the Agency’s administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Agency that there are insufficient funds for such purposes for the applicable six month period.

If the requirements stated in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Agency’s enforceable obligations, pass-through payments, and the Agency’s administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted

from amounts available for distribution to the Agency for administrative costs for the applicable six month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt, in an amount not to exceed the Subordinated Pass-Through Amounts may be deducted from the amounts to be distributed under Section 34183(a)(1) to other Taxing Agencies, in order to be paid to the Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted. The Agency has not made any report pursuant to Section 34183(b) and therefore has not included any Subordinated Pass-Through Amounts for the purpose of determining debt service coverage. The Dissolution Act also provides for a procedure by which the Agency may make non subordinated Pass-Through Agreements and Statutory Tax Sharing Amounts subordinate to the Bonds; however, the Agency has determined not to undertake such procedure, and therefore, such non subordinated Pass-Through Agreements and Statutory Tax Sharing Amounts are not subordinate to the Bonds.

The Agency cannot guarantee that the process prescribed by the Dissolution Act of administering the Pledged Tax Revenues and the subordinations provided in the Pass-Through Agreements will effectively result in adequate Pledged Tax Revenues for the payment of principal and interest on the Bonds when due. See “SECURITY FOR THE BONDS — Recognized Obligation Payment Schedule.” See also “THE PROJECT AREAS — Pass Through Agreements and Obligations with Various Taxing Agencies” for additional information regarding the Pass-Through Agreements and the Statutory Tax Sharing Amounts applicable to the Agency and the revenues derived from the Project Areas.

### **Recognized Obligation Payment Schedule**

#### ***ROPS Process Under the Dissolution Act – Commencing Fiscal Year 2016-***

As amended by SB 107, enacted on September 22, 2015 and effective immediately upon its enactment, the Dissolution Act requires successor agencies to prepare and submit to the successor agency’s oversight board and the DOF for approval a Recognized Obligation Payment Schedule (the “Recognized Obligation Payment Schedule” or “ROPS”) before each annual fiscal period covered by such schedule (i.e., July 1 through June 30), commencing with the Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30, 2017. Distributions from the Redevelopment Property Tax Trust Fund are made by the County Auditor-Controller to successor agencies (and tax sharing entities) each January 2 and June 1, within each annual Recognized Obligation Payment Schedule period.

Pursuant to a Recognized Obligation Payment Schedule, “enforceable obligations” of the successor agency coming due and payable in the fiscal period covered by such schedule are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, “enforceable obligation” includes bonds, including the required debt service, reserve setasides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year (see “THE INDENTURE — Covenants of the Agency”).

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board). Other than amounts deposited in the Redevelopment Property Tax Trust Fund and amounts held in certain funds and accounts under the Indenture, the Agency does not expect to have any other funds available to pay the Bonds.

The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule.

Commencing with the Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30, 2017, the Agency is required to submit each annual Recognized Obligation Payment Schedule, after approval by the Oversight Board, to the County Auditor-Controller and the DOF no later than February 1, 2016, and each February 1 thereafter for subsequent annual Recognized Obligation Payment Schedules. For each annual Recognized Obligation Payment Schedule, the DOF must make its determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than April 15 (commencing April 15, 2016 with the Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30, 2017). Within five business days of the determination by the DOF, the Agency may request additional review by the department and an opportunity to meet and confer on disputed items, if any, except those that are the subject of litigation disputing the department's previous or related determination. The DOF must notify the Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the June 1 property tax distribution, with respect to items disputed on the originally submitted annual Recognized Obligation Payment Schedule.

The County Auditor-Controller may review a submitted Recognized Obligation Payment Schedule and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the County Auditor-Controller must provide notice of any such objections to the Agency, the Oversight Board, and the DOF at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable.

If the Agency does not submit an annual Recognized Obligation Payment Schedule by the February 1 deadline, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the DOF. Additionally, the Agency's administrative cost allowance is reduced by 25% if the Agency does not submit an annual Recognized Obligation Payment Schedule within 10 days after the February 1 deadline. The Agency timely submitted to the DOF its Oversight Board-approved Recognized Obligation Payment Schedule for the first annual period of July 1, 2016 through June 30, 2017.

Once per Recognized Obligation Payment Schedule period, and no later than October 1 of the applicable year, the Agency may submit one amendment to the annual Recognized Obligation Payment Schedule previously approved by the DOF, if the Oversight Board makes a finding that a revision is necessary for the payment of approved enforceable obligations during the second half of the Recognized Obligation Payment Schedule period (i.e., during January 1 through June 30), and the Agency may only amend the amount requested for payment of approved enforceable obligations. The DOF must notify the

Agency and the County Auditor-Controller as to the outcome of its review of a requested amendment to an approved annual Recognized Obligation Payment Schedule at least 15 days before the applicable property tax distribution date.

In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of (i) property tax to be allocated and distributed and (ii) the amounts of pass-through payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and the DOF no later than October 1 and April 1 of each year, as applicable.

If, after receiving such estimate from the County Auditor-Controller, the Agency determines and reports to the County Auditor-Controller, no later than December 1 or May 1, as applicable (i.e., by December 1, 2016 with respect to the January 2, 2017 Redevelopment Property Tax Trust Fund distribution date), that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of pass-through obligations, for Agency enforceable obligations listed on the Recognized Obligation Payment Schedule for the corresponding six-month fiscal period and for the Agency's administrative cost allowance, the County Auditor-Controller must notify the State Controller and the DOF no later than 10 days from the date of the Agency's notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under "SECURITY FOR THE BONDS – Tax Increment Financing" above.

#### ***ROPS Process Under the Dissolution Act – Prior to Fiscal Year 2016-17***

With respect to obligations required to be paid prior to July 1, 2016, the Dissolution Act required successor agencies to prepare and submit to the successor agency's oversight board and the DOF for approval a Recognized Obligation Payment Schedule before each six-month fiscal period covered by such schedule (i.e., January 1 through June 30, or July 1 through December 31).

The Recognized Obligation Payment Schedule with respect to the six-month period of January 1, 2013 through June 30, 2013 was required to be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the DOF, and the State Controller no later than September 1, 2012. For each subsequent six-month period through the six-month period ending June 30, 2016, the Agency was required to submit the Recognized Obligation Payment Schedule, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the DOF, and the State Controller by 90 days before the date of the next January 2 or June 1 property tax distribution. If the Agency did not submit a Recognized Obligation Payment Schedule by such deadlines, the City would be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the DOF. Additionally, the Agency's administrative cost allowance would be reduced by 25% if the Agency did not submit a Recognized Obligation Payment Schedule by September 11, 2012, with respect to the Recognized Obligation Payment Schedule for the six-month period of January 1, 2013 through June 30, 2013, or by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods commencing with the period of July 1, 2013 through December 1, 2013.

Prior to the enactment of SB 107, the Dissolution Act required the DOF to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later

than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the determination by the DOF, the Agency could request additional review by the department and an opportunity to meet and confer on disputed items, if any. The DOF would notify the Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable.

### ***Optional Last and Final ROPS***

At the option of a successor agency and beginning January 1, 2016, the Dissolution Act allows a successor agency to submit a “Last and Final ROPS” for approval by the oversight board. The following conditions must be met: (i) the remaining debt is limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules including, but not limited to, debt service, loan agreements and contracts, (ii) all remaining obligations have been previously listed on a Recognized Obligation Payment Schedule and approved by the DOF, and (iii) the successor agency is not a party to outstanding or unresolved litigation. The DOF will have 100 days to review a Last and Final ROPS submitted for approval. The DOF may make changes to the Last and Final ROPS with the successor agency’s agreement or issue a letter denying the Last and Final ROPS. If the DOF approves the Last and Final ROPS, it will establish the maximum amount of Redevelopment Property Tax Trust Fund to be distributed to the successor agency for each remaining fiscal year until the obligations have been fully paid. The successor agency can submit no more than two requests to amend an approved Last and Final ROPS. The oversight board must first approve each amendment request, and the DOF will then have 100 days to approve or deny the request. After the DOF approves Last and Final ROPS, the successor agency will no longer prepare or submit Recognized Obligation Payment Schedules, and the county auditor-controller will make distributions from the Redevelopment Property Tax Trust Fund to the successor agency pursuant to the Last and Final ROPS in a prescribed order of priority until the aggregate amount of property tax allocated to the successor agency equals the total outstanding obligation approved in the Last and Final ROPS.

See the caption “RISK FACTORS – Recognized Obligation Payment Schedule” for a discussion of certain risks associated with the Last and Final Recognized Obligation Payment Schedule.

### **Parity Bonds**

Under the Indenture, in addition to the Bonds, the Agency may issue or incur additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) secured by a pledge and lien on Pledged Tax Revenues on a parity with the Bonds (“Parity Bonds”) in such principal amount as shall be determined by the Agency, pursuant to a separate or Supplemental Indenture adopted or entered into by the Agency and Trustee and for such purposes as are permitted under the Dissolution Act, including without limitation Section 34177.5 thereof.

Section 34177.5 of the Dissolution Act presently permits successor agencies to issue bonds or incur other indebtedness secured by property tax revenues comprised of former tax increment and required to be deposited into the respective Redevelopment Property Tax Trust Fund for the applicable successor agency under limited circumstances:

- (i) to provide debt service savings to the successor agency;
- (ii) for the purpose of financing debt service spikes, including balloon maturities; provided, (A) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, and (B) the principal amount of the refunding bonds or

the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance;

(iii) for the purpose of amending an existing enforceable obligation under which the successor agency is obligated to reimburse a political subdivision of the state for the payment of debt service on a bond or other obligation of the political subdivision or to pay all or a portion of the debt service on the bond or other obligation of the political subdivision to provide savings to the successor agency, when such amendment is in connection with a refunding of the bonds or other obligations of the separate political subdivision so that the enforceable obligation will apply to the refunding obligations of the political subdivision; or

(iv) for the purpose of making payments under an existing enforceable obligation when the enforceable obligation includes the irrevocable pledge of property tax increment (i.e., formerly tax increment revenues prior to the effective date of the Dissolution Act) or other funds and the obligation to issue bonds secured by that pledge.

When bonds are issued pursuant to the situations contemplated in clauses (i) and (iii), the following two constraints apply to the size of the financing: (A) the total interest cost to maturity on the refunding bonds or indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance. If the foregoing conditions are satisfied, the initial principal amount of the refunding bonds or indebtedness may be greater than the outstanding principal amount of the bonds or other indebtedness to be refunded. The successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, having the same lien priority as the pledge of the bonds or other obligations to be refunded.

Subject to the foregoing, the Agency may issue or incur such Parity Bonds subject to the following additional specific conditions precedent:

- (a) The Agency will be in compliance with all covenants set forth in the Indenture;
- (b) The Oversight Board shall have approved the issuance of Parity Bonds;
- (c) The Parity Bonds will be on such terms and conditions as may be set forth in a separate or Supplemental Indenture, which will provide for (i) bonds substantially in accordance with the Indenture, and (ii) the deposit of moneys or Alternate Reserve Account Security into the Reserve Account in an amount sufficient, together with the balance of the Reserve Account, to equal the Reserve Requirement on all Bonds expected to be outstanding including the Bonds;
- (d) Receipt of a certificate or opinion of an Independent Financial Consultant stating:
  - (i) For the current and each future Bond Year the debt service for each such Bond Year with respect to all Bonds and other Parity Bonds reasonably expected to be outstanding following the issuance of the Parity Bonds;
  - (ii) For the then current Fiscal Year, the Pledged Tax Revenues to be received by the Agency based upon the most recently certified assessed valuation of taxable property in the Project Areas provided by the appropriate officer of the County;

(iii) For each future Fiscal Year, the Pledged Tax Revenues referred to in item (ii) together with (a) the amount determined in accordance with Section 51(a) of the California Revenue and Taxation Code (2% inflationary growth) and (b) the amount of Pledged Tax Revenues to be payable with respect to construction completed but not yet on the tax roll, and taking into account the expiration of the time to receive Pledged Tax Revenues with respect to any portion of the Project Areas and any amounts to be paid pursuant to the Pass-Through Agreements and the Statutory Pass-Through Amounts; and

(iv) That for the then current Fiscal Year, the Pledged Tax Revenues referred to in item (ii) and for each future Fiscal Year the Pledged Tax Revenues referred to in item (iii) are at least equal to the sum of 125% of the Maximum Annual Debt Service with respect to the amounts referred to in item (i) above, and, for the then current Fiscal Year, 100% of Annual Debt Service with respect to any subordinate debt and that the Agency is entitled under the Dissolution Act, the Redevelopment Law and the Redevelopment Plans to receive taxes under Section 33670 of the Redevelopment Law in an amount sufficient to meet expected debt service with respect to all Bonds, and other Parity Bonds.

(e) The Parity Bonds will mature on and interest will be payable on the same dates as the Bonds (except the first interest payment may be from the date of the Parity Bonds until the next succeeding March 1 or September 1) provided, however, nothing herein shall preclude the Agency from issuing and selling Parity Bonds which do not pay current interest.

## THE INDENTURE

*The following is a summary of certain provisions of the Indenture and does not purport to be complete. Reference is hereby made to the Indenture and to Appendix A for the definition of certain terms used herein. Copies of the Indenture are available from the Agency upon request. All capitalized terms used herein and not otherwise defined will have the same meaning as used in the Indenture.*

### Allocation of Tax Revenues

Under the Dissolution Act, the Agency has previously established a special trust fund called the Redevelopment Obligation Retirement Fund (the “Redevelopment Obligation Retirement Fund”), which is held by the Agency and into which the County Auditor-Controller distributes property tax revenues each January 2 and June 1 from the Redevelopment Property Tax Trust Fund for the payment by the Agency of enforceable obligations pursuant to the Recognized Obligation Payment Schedule. From the amounts deposited in the Redevelopment Obligation Retirement Fund, the Agency will first transfer to the Senior Bonds Trustee accounts required to be depicted in the Special Fund established under the Senior Bonds Indenture.

There is established by the Indenture a special trust fund known as the “Debt Service Fund,” and the accounts therein referred to below, which will be held by the Trustee. The Agency will deposit all of the Pledged Tax Revenues received in any Bond Year from the Redevelopment Property Tax Trust Fund in accordance with the Dissolution Act in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Agency, and promptly thereafter shall deposit amounts received therein to the Debt Service Fund established and held under the Indenture until such time during such Bond Year as the amounts so transferred to the Debt Service Fund under the Indenture equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account and the Reserve Account of the Debt Service Fund in such Bond Year pursuant to the Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in any Supplemental Indenture.



## **Pledged Tax Revenues – Application**

There are established under the Indenture accounts within the Debt Service Fund as set forth below, to be known respectively as the Interest Account, the Principal Account and the Reserve Account. Moneys in the Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective accounts within the Debt Service Fund, which are continued with the Trustee, in the following order of priority:

(a) Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, the Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date and the next following Interest Payment Date. No such transfer and deposit need to be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. Subject to the Indenture, all moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the 5th Business Day preceding September 1 in each year beginning [September 1, 2017], the Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount equal to the principal payments and sinking account payments becoming due and payable on the Outstanding Bonds on such September 1, to the extent monies on deposit in the Redevelopment Obligation Retirement Fund are available therefor. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal payments and sinking account payments to become due on such September 1 on all Outstanding Bonds. Subject to the Indenture, all moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal payments of the Bonds as it becomes due and payable.

(c) Reserve Account. In the event that the Agency fails to deposit with the Trustee no later than five (5) Business Days before any Interest Payment Date the full amount of the interest, principal payments required to be deposited pursuant to the Indenture, the Trustee will, five (5) Business Days before such Interest Payment Date, withdraw from the Reserve Account an amount equal to any such deficiency and will notify the Agency of any such withdrawal. Promptly upon receipt of any such notice, the Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Reserve Account that will be sufficient to maintain the Reserve Requirement on deposit in the Reserve Account and the Reserve Account of any additional Parity Bonds. If there is not sufficient moneys in the Redevelopment Obligation Retirement Fund to transfer an amount that will be sufficient to maintain the Reserve Requirement on deposit in the Reserve Account and the Reserve Account of any additional Parity Bonds, the Agency shall have an obligation to continue making transfers of Pledged Tax Revenues into the Redevelopment Obligation Retirement Fund, as such revenues become available, and thereafter, as moneys become available in the Redevelopment Obligation Retirement Fund, shall make transfers to the Reserve Account and the Reserve Account for any additional Parity Bonds until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account and the Reserve Account for any additional Parity Bonds on a combined basis. No such transfer and deposit need be made to the Reserve Account (or any subaccount therein) so long as there is on deposit therein a sum at least equal to the Reserve Requirement. Subject to the Indenture, all money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making

transfers to the Interest Account and the Principal Account (and subaccounts therein, as the case may be), in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Agency is not in default, any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before the 5th Business Day preceding March 1 and September 1 by the Trustee and deposited in the Interest Account. The prior written consent of the Insurer shall be condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Account. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Reserve Account shall be applied solely to the payment of debt service due on the Bonds.

***Reserve Account Surety Bond.*** The Reserve Requirement will be initially maintained in the form of the issuance of the Reserve Account Surety Bond. Under the terms and conditions of the Reserve Account Surety Bond, the Trustee shall deliver to the Insurer a demand for payment under the Reserve Account Surety Bond in the required form prior to the date on which funds are required for the purposes set forth above. The Trustee shall comply with all of the terms and provisions of the Reserve Account Surety Bond for the purpose of assuring that funds are available thereunder when required for the purposes of the Reserve Account, within the limits of the coverage amount provided by the Reserve Account Surety Bond. All amounts drawn by the Trustee under the Reserve Account Surety Bond will be deposited into the Reserve Account and applied for the purposes thereof.

The Bonds Indenture also creates a Bonds Rebate Fund for the purpose of collecting the amounts required, if any, to be rebated to the United States in accordance with the requirements of Section 148(f) of the Code. Section 148 of the Code requires, among other things and with certain exceptions, that any amounts earned on nonpurpose investments in excess of the amount which would have been earned if such investments were made at a rate equal to the yield on the Bonds be rebated to the United States. The Indenture requires the Agency to calculate such amount and deposit it into the Rebate Fund for eventual rebate to the United States Treasury.

### **Investment of Moneys in Funds and Accounts**

Subject to the provisions of the Indenture, all moneys held by the Trustee in the Debt Service Fund, the Costs of Issuance Fund, the Reserve Account or the Rebate Fund will be invested at the written direction of the Agency only in Permitted Investments. If the Trustee receives no written directions from the Agency as to the investment of moneys held in any Fund or Account, the Trustee shall request such written direction from the Agency and, pending receipt of instructions, will invest such moneys only in Permitted Investments described in subsection (5) of the definition thereof.

(a) Moneys in the Redevelopment Obligation Retirement Fund will be invested by the Agency only in obligations permitted by the Redevelopment Law which will by their terms mature not later than the date the Agency estimates the moneys represented by the particular investment will be needed for withdrawal from the Redevelopment Obligation Retirement Fund.

(b) Moneys in the Interest Account and the Principal Account of the Debt Service Fund will be invested only in obligations which will by their terms mature on such dates as to ensure that before each interest and principal payment date there will be in such Account, from matured obligations and other moneys already in such Account, cash equal to the principal and interest payable on such payment date.

(c) Moneys in the Reserve Account will be invested in (i) obligations which will by their terms mature on or before the date of the final maturity of the Bonds or five (5) years from the date of investment, whichever is earlier or (ii) an investment agreement or Reserve Account Surety Bond which

permits withdrawals or deposits without penalty at such time as such moneys will be needed or in order to replenish the Reserve Account.

(d) Moneys in the Rebate Fund will be invested in Defeasance Securities which mature on or before the date such amounts are required to be paid to the United States.

Except as otherwise provided in the Indenture, obligations purchased as an investment of moneys in any of the Funds or Accounts will be deemed at all times to be a part of such respective Fund or Account, and the interest accruing thereon and any gain realized from an investment will be credited to such Fund or Account and any loss resulting from any authorized investment will be charged to such Fund or Account without liability to the Trustee. The Agency or the Trustee, as the case may be, will sell or present for redemption any obligation purchased whenever it will be necessary to do so in order to provide moneys to meet any payment or transfer from such Fund or Account as required by the Indenture and will incur no liability for any loss realized upon such a sale. All interest earnings received on any moneys invested in the Interest Account, Principal Account or Reserve Account, to the extent they exceed the amount required to be in such Account, will be transferred on each Interest Payment Date to the Debt Service Fund. All interest earnings on moneys invested in the Rebate Fund will be retained in such Fund and applied as set forth in the Indenture.

### **Covenants of the Agency**

As long as the Bonds are outstanding and unpaid, the Agency will (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued under the Indenture, including the following covenants and agreements for the benefit of the Bondowners which are necessary, convenient and desirable to secure the Bonds and will tend to make them more marketable; provided, however, that the covenants do not require the Agency to expend any funds other than the Pledged Tax Revenues.

**Covenant 1. Use of Proceeds; Management and Operation of Properties.** The Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in the Indenture and that it will manage and operate all properties owned by it comprising any part of the Project Areas in a sound and businesslike manner.

**Covenant 2. No Priority.** The Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Pledged Tax Revenues which have any lien upon the Pledged Tax Revenues prior or superior to the lien of the Bonds. Except as permitted by the Indenture, it will not issue any obligations, payable as to principal or interest, from the Pledged Tax Revenues, which have any lien upon the Pledged Tax Revenues on a parity with the Bonds authorized in the Indenture. Notwithstanding the foregoing, nothing in the Indenture shall prevent the Agency (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Pledged Tax Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding all of the Outstanding Bonds, (ii) from issuing and selling obligations which have, any lien upon the Pledged Tax Revenues which is junior to the Bonds, or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Pledged Tax Revenues. As used in the Indenture “obligations” includes, without limitation, bonds, notes, interim certificates, debentures or other obligations.

**Covenant 3. Punctual Payment.** The Agency covenants and agrees that it will duly and punctually pay, or cause to be paid, the principal of and interest on each of the Bonds on the date, at the place and in the manner provided in the Bonds. Further, it will take all actions required under the Dissolution Act to include on the Recognized Obligation Payment Schedules for each six-month period

all payments to the Trustee to satisfy the requirements of the Indenture, including any amounts required under the Indenture to replenish the Reserve Account of the Debt Service Fund to the full amount of the Reserve Requirement.

**Covenant 4. Payment of Taxes and Other Charges.** The Agency covenants and agrees that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Agency or any of the properties then owned by it in the Project Areas, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the Bonds or the use of Pledged Tax Revenues or other legally available funds to pay the principal of and interest on the Bonds all to the end that the priority and security of the Bonds shall be preserved; provided, however, that nothing in this covenant shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of the payment.

**Covenant 5. Books and Accounts; Financial Statements.** The Agency covenants and agrees that it will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Pledged Tax Revenues and other funds relating to the Agency. The Agency will prepare within one hundred eighty (180) days, after the close of each of its Fiscal Years a complete financial statement or statements for such year, in reasonable detail covering the Pledged Tax Revenues and other funds, accompanied by an opinion of an Independent Certified Public Accountant appointed by the Agency, and will furnish a copy of the statement or statements to the Trustee and any rating agency which maintains a rating on the Bonds, and, upon written request, to any Bondowner. The Trustee shall have no duty to review the Agency's financial statements. The Agency's financial statements may be included as part of the City's Comprehensive Annual Financial Report.

**Covenant 6. Eminent Domain Proceeds.** The Agency covenants and agrees that if all or any part of the Redevelopment Project Areas should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, it shall take all steps necessary to adjust accordingly the base year property tax roll of the Project Areas.

**Covenant 7. Disposition of Property.** The Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Project Areas (except property shown in the Redevelopment Plans in effect on the date the Indenture is adopted as planned for public use, or property to be used for public streets, public off-street parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities whose property is tax exempt, unless such disposition will not result in Pledged Tax Revenues to be less than the amount required for the issuance of Parity Bonds as provided in the Indenture, based upon the certificate or opinion of an Independent Financial Consultant appointed by the Agency.

**Covenant 8. Protection of Security and Rights of Bondowners.** The Agency covenants and agrees to preserve and protect the security of the Bonds and the rights of the Bondowners and to contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Agency that (i) the Redevelopment Law is unconstitutional or (ii) that the Pledged Tax Revenues pledged under the Indenture cannot be paid to the Agency for the debt service on the Bonds or (b) any other action affecting the validity of the Bonds or diluting the security therefor.

**Covenant 9. Compliance with Dissolution Act.** The Agency shall comply with all of the requirements of the Dissolution Act. The Agency shall take all actions required under the Dissolution Act

to prepare and file Recognized Obligation Payment Schedules so as to enable the Los Angeles Auditor Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund all amounts as shall be required to enable the Agency to pay timely principal of, and interest on, the Bonds and all outstanding Senior Bonds coming due in such Bond Year.

Without limiting the generality of the foregoing paragraph, the Agency will take all actions required under the Dissolution Act to include on the Recognized Obligation Payment Schedules for each semiannual period all payments to the Trustee to satisfy the requirements of the Senior Bonds Indentures and the Indenture, including any amounts required to replenish the respective reserve accounts established for the Bonds and the Senior Bonds. In addition, the Agency will take all actions required under the Dissolution Act to include scheduled debt service on the Bonds and the Senior Bonds, as well as any amount required to replenish the respective reserve accounts established for the Bonds and the Senior Bonds, in Recognized Obligation Payment Schedules for each semiannual period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Redevelopment Obligation Retirement Fund on each January 2 and June 1, the amounts required to pay principal of and interest on the Bonds and the Senior Bonds coming due in the respective semiannual period. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and the DOF, to the extent required, the amounts to be held by the Agency as a reserve until the next semiannual period that are required to provide for the payment of principal of and interest on the Bonds and the Senior Bonds. Further, to the extent that the Subordinated Pass-Through Amounts are necessary to pay debt service on the Bonds, the Agency covenants to comply with the requirements of Health & Safety Code Section 34183(b) to ensure that the Subordinated Pass-Through Amounts are paid to the Agency.

With regard to each semiannual period ending on June 30 of a calendar year, the Agency shall include in the Recognized Obligation Payment Schedule for such semiannual period an amount which is at least equal to the sum of (a) the full amount of principal and interest on the Senior Bonds coming due and payable on the succeeding March 1 and September 1, plus (b) the full amount of interest coming due and payable on the Bonds and any obligations issued on a parity with the Bonds on the next succeeding March 1.

**Covenant 10. Limitation on Indebtedness.** The Agency covenants and agrees that it has not and will not incur any loans, obligations or indebtedness repayable from Pledged Tax Revenues such that the total aggregate debt service on said loans, obligations or indebtedness incurred from and after the date of adoption of the Redevelopment Plans, when added to the total aggregate debt service on the Bonds, will exceed the maximum amount of Pledged Tax Revenues to be divided and allocated to the Agency pursuant to the Redevelopment Plans. The Agency shall file annually with the Trustee on or prior to August 1 of each year a Written Certificate of the Agency certifying that Pledged Tax Revenues received by the Agency through the date of the certificate combined with the amount remaining to be paid on all outstanding obligations of the Agency will not exceed the Plan Limits. To the extent it does, all Pledged Tax Revenues will be deposited in an escrow account and applied to the payment of such outstanding obligations.

**Covenant 11. Further Assurances.** The Agency covenants and agrees to adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Indenture.

**Covenant 12. Continuing Disclosure.** The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement dated the Closing Date.

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 participating underwriter, holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

### **Events of Default and Remedies**

The following events will constitute Events of Default under the Indenture:

(a) if default is made in the due and punctual payment of the principal of or interest on any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default is made by the Agency in the observance of any of the covenants, agreements (including default by the obligor on any underlying agreement) or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default is continued for a period of thirty (30) days following receipt by the Agency of written notice from the Trustee or any Owner of the occurrence of such default; or

(c) if the Agency commences a voluntary action under Title 11 of the United States Code or any substitute or successor statute.

If an Event of Default has occurred and is continuing, the Trustee may, or if requested in writing by the Owners of the majority in aggregate principal amount of the Bonds then Outstanding, the Trustee will by written notice to the Agency, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, and (b) upon receipt of indemnity to its satisfaction exercise any other remedies available to the Trustee and the Owners in law or at equity.

Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee will give notice of such Event of Default to the Agency by telephone confirmed in writing. Such notice will also state whether the principal of the Bonds will have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee will, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Agency and the Owners in the manner provided for in the Indenture, which will include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee has declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Agency deposits with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the net effective rate then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, including but not limited to attorneys' fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provisions deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written

notice to the Agency and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

Upon the occurrence of an event of default, the Trustee may, with the consent of a majority of the Holders, by written notice to the Agency, declare the principal of the Bonds and Parity Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. Notwithstanding the foregoing, the maturity of Bonds insured by the Insurer shall not be accelerated without the consent of the Insurer and in the event the maturity of the Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Policy with respect to such Bonds shall be fully discharged.

### **Application of Funds Upon Acceleration**

All of the Pledged Tax Revenues and all sums in the funds and accounts established and held by the Trustee upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee thereunder, will be applied by the Trustee in the order following, upon presentation of the Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

*First*, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys and counsel; and

*Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds and Parity Bonds (to the extent that such interest on overdue installments of principal and interest has been collected), and in case such moneys will be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds and Parity Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest or any Bond or Parity Bond over any other Bond or Parity Bond.

### **Amendments**

Subject to the terms of the Indenture, 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 will become binding upon adoption, without consent of any Owners, to the extent permitted by law and any for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the Agency in the Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any rights or powers therein 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 will not materially adversely affect the interests of the Owners; or

(c) to provide 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; or

(d) to amend any provision thereof relating to the requirements of or compliance with the Code to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any of the Bonds, in the opinion of a nationally recognized bond counsel.

Except as set forth in the preceding paragraph and subject to the terms of 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 will become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment will (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 or interest at the time and place and at the rate and in the currency provided therein or 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. Any amendment, supplement, modification to, or waiver of, the Indenture or any other transaction document, including any underlying security agreement (each a “Related Document”), that requires the consent of Bondowners or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

## **THE SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY**

The Prior Agency was established on July 5, 1983 by the City Council of the City with the adoption of Ordinance No. 34, pursuant to the Redevelopment Law. On June 29, 2011, ABx1 26 was enacted as Chapter 5, Statutes of 2011, together with a companion bill, ABx1 27. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of ABx1 26 and ABx1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld ABx1 26, invalidated ABx1 27, and held that ABx1 26 may be severed from ABx1 27 and enforced independently. As a result of ABx1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

On January 3, 2012, pursuant to Resolution No. 2012-002 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as successor agency to the Prior Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

The Agency is governed by a five-member Board of Directors (the “Board”) which consists of the members of the City Council of the City of La Quinta. The Mayor acts as the Chair of the Board, the



City Manager as its Executive Director, the City Clerk as its Secretary and the Finance Director of the City as the Treasurer of the Agency.

**Members and Officers**

The members and officers of the Agency and the expiration dates of their terms are as follows:  
[PLEASE CONFIRM EXPIRATION TERMS]

<i>Name and Office</i>	<i>Expiration of Term (November)</i>
Linda Evans, <i>Chair</i>	2018
John Peña, <i>Vice-Chair</i>	2018
Kristy Franklin, <i>Member</i>	2016
Lee M. Osborne, <i>Member</i>	2016
Robert Radi, <i>Member</i>	2018

**Agency Powers**

All powers of the Agency are vested in its five-members who are elected members of the City Council. Pursuant to the Dissolution Act, the Agency is a separate public body from the City and succeeds to the organizational status of the Prior Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Agency is tasked with expeditiously winding down the affairs of the Prior Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Agency actions are subject to approval by the Oversight Board, as well as review by the DOF. California has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally make all Agency and Oversight Board meetings open to the public in similar manner as City Council meetings.

Under a State initiative enacted in 1974, public officials are required to make extensive disclosures regarding their financial interests by filing such disclosures as public records. As of the date of this Official Statement, the members of the City Council and the Agency, and other City and Agency officials have made the required filings.

Section 34179.5 of the Dissolution Act established a due diligence review process for determining the unobligated balances that redevelopment agencies had available as of June 30, 2012 to remit to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process was required to be completed by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Within five business days of receiving notification from the State Department of Finance, the Agency must remit to the county auditor-controller the amount of unobligated balances determined by the DOF, or it may request a meet and confer with the DOF to resolve any disputes. If there is a meet and confer process, the Agency must remit the amount of unobligated balances within five working days of receiving a subsequent notification from the DOF of the amount of unobligated balances at the conclusion of that process.

If the Agency fails to remit the amounts determined by the State Department of Finance by the respective deadlines, certain penalties and remedies apply under Section 34179.6 of the Dissolution Act. The Agency has remitted to the County Auditor-Controller all of the unobligated balances as determined by the DOF. On November 6, 2013, the Agency received its Finding of Completion from the DOF. Receipt of the Finding of Completion allows the Agency to do several things, among them, developing a plan for the disposition of any properties held by the Agency, reinstating loans previously made by the

City to the Prior Agency and spending proceeds of bonds issued prior to December 31, 2010, all requiring approval of the Oversight Board.

## **RISK FACTORS**

*The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

### **Reduction in Taxable Value**

Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Project Areas and the current rate or rates at which property in the Project Areas is taxed. The reduction of taxable values of property in the Project Areas caused by economic factors beyond the Agency's control, such as relocation out of the Project Areas by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Pledged Tax Revenues that provide for the repayment of and secure the Bonds. Such reduction of Pledged Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Bonds.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA — Article XIII A of the State Constitution," Article XIII A 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 above). Such 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 Pledged Tax Revenues securing the Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Pledged Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, described herein under the heading "RISK FACTORS," the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Pledge Tax Revenues and adversely affect the source of repayment and security of the Bonds.

### **Risks to Real Estate Market**

The Agency's ability to make payments on the Bonds will be dependent upon the economic strength of the Project Areas. The general economy of the Project Areas will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and 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 the Project Areas could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Pledged Tax Revenues by the Agency from the Project Areas.

### **Reduction in Inflationary Rate**

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2 percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2 percent, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2 percent. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2 percent limitation several times but in Fiscal Year 2010-11 the inflationary value adjustment was negative for the first time at -0.237%. In Fiscal Year 2014-15 and Fiscal Year 2015-16, the inflationary value adjustments were 0.454% and 1.019%, respectively, which are also below the 2 percent limitation. The Agency is unable to predict if any adjustments to the full cash value of real property within the Project Areas, whether an increase or a reduction, will be realized in the future.

### **Development Risks**

The general economy of the Project Areas will be subject to all the risks generally associated with real estate development. Future development within the Project Areas may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Project Areas could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If future development in the Project Areas are delayed or halted, the economy of the Project Areas could be affected. If such events lead to a decline in assessed values they could cause a reduction in Pledged Tax Revenues. In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the Pledged Tax Revenues received by the Agency from the Project Areas. In addition, the insolvency or bankruptcy of one or more large owners of property within the Project Areas could delay or impair the receipt of Pledged Tax Revenues by the Agency.

### **Levy and Collection of Taxes**

The Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Pledged Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Agency to repay the Bonds.

Likewise, if the County no longer deposits funds to the Redevelopment Property Tax Trust Fund on first collection, delinquencies in the payment of property taxes by the owners of land in the Project

Areas, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Agency's ability to make timely payments on the Bonds. Any reduction in Pledged Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Agency's ability to pay the principal of and interest on the Bonds. The Agency is not on the County's "Teeter Plan"; however, as discussed below under the heading "PROJECT AREAS — Teeter Plan and Delinquency Rates" the deposits to the Redevelopment Property Tax Trust Fund are payable on first collection so delinquent taxes do not impact the Agency's tax revenue.

### **State Budget Issues**

ABx1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively. The 2011-12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011-12 associated with ABx1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-12 schools. However, ABx1 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State's Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of \$1.5 billion). [The State's budget for fiscal year 2016-17 was enacted on June \_\_, 2016 and did not include any additional legislation dealing with dissolution of redevelopment agencies.] There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or Pledged Tax Revenues. The full text of each State Assembly bill cited above may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2016-17 Budget Summary, the current State budget, and other documents related to the State budget may be found at the website of the DOF, [www.dof.ca.gov](http://www.dof.ca.gov). A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

*None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.*

### **Recognized Obligation Payment Schedule**

The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each annual period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in

sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See “SECURITY FOR THE BONDS — Recognized Obligation Payment Schedule” and “PROPERTY TAXATION IN CALIFORNIA — Property Tax Collection Procedures — Recognized Obligation Payment Schedule.” In the event the Agency were to fail to file a Recognized Obligation Payment Schedule with respect to an annual period, the availability of Pledged Tax Revenues to the Agency could be adversely affected for such period.

In the event a successor agency fails to submit to the DOF an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the DOF may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) in the following paragraph, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the DOF to the county auditor controller of an amount to be withheld from allocations to taxing entities, the county auditor controller must distribute to taxing entities any monies in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the DOF.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the County Auditor-Controller is to distribute funds semiannually in the following order specified in Section 34183 of the Dissolution Act: (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (as described above under “SECURITY FOR THE BONDS — Tax Increment Financing”) and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including pursuant to the Pass-Through Agreements and Statutory Pass-Through Amounts; (ii) second, on each January 2 (with respect to approved enforceable obligations payable during January 1 through June 30) and June 1 (with respect to approved enforceable obligations payable during July 1 through December 31), to the Agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule; (iii) third, on each January 2 and June 1, to the Agency for the administrative cost allowance, as defined in the Dissolution Act; and (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity’s share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

If the Agency does not submit an Oversight-Board approved Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the DOF does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above. However, the Agency has covenanted to take all actions required under the Dissolution Act to include (a) scheduled debt service on the Bonds and any Parity Bonds and as well as any amount required under the Indenture and any Supplemental Indenture to replenish the Reserve Account of the Debt Service Fund established thereunder, and (b) amounts due to any bond insurer (including the Insurer) in connection with an insurance or surety bond agreement, in Recognized Obligation Payment Schedules for each annual period beginning on July 1 of any calendar year and

ending on June 30 of the next calendar year, or such other period as provided in the Dissolution Act (a “ROPS Period”), so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency’s Redevelopment Obligation Retirement Fund by each June 1 amounts required for the Agency to pay principal of, and interest on, the Bonds coming due on the next two Interest Payment Dates and to pay amounts owed to any bond insurer (including the Insurer), as well as the other amounts set forth above. (see “THE INDENTURE — Covenants of the Agency”).

To accomplish the foregoing, on or before each February 1 (or at such earlier time as may be required by the Dissolution Act), for so long as any Bonds or Parity Bonds are outstanding, the Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the Auditor-Controller of the County of Los Angeles that shall include a request that the Agency receive on the following June 1 ROPS distribution date (i) all debt service due on the Bonds and the Parity Bonds coming due during the subsequent ROPS Period as well as all amounts due and owing to any bond insurer, and (ii) any amount required to cure any deficiency in the Reserve Account pursuant to the Indenture or any Supplemental Indenture (including any amounts due and owing to the Insurer under the Indenture).

In the event the provisions set forth in the Dissolution Act as of the Closing Date of the Bonds that relate to the filing of Recognized Obligation Payment Schedules are amended or modified in any manner, the Agency agrees in the Indenture to take all such actions as are necessary to comply with such amended or modified provisions so as to ensure the timely payment of debt service on the Bonds and the Parity Bonds and, if the timing of distributions of the Redevelopment Property Tax Trust Fund is changed, the receipt of all debt service due during each calendar year on all Outstanding Bonds and Parity Bonds on or prior to June 1 of such calendar year.

The Dissolution Act, as amended by AB 1484, also provides for certain penalties in the event the Agency does not timely submit a Recognized Obligation Payment Schedule for an annual period. Specifically, a Recognized Obligation Payment Schedule is required to be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than each February 1 (commencing with the Recognized Obligation Payment Schedule for the period from July 1, 2016 through June 30, 2017). If the Agency does not submit a Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Dissolution Act provides that the Agency’s administrative cost allowance is reduced by 25% if the Agency does not submit an annual Recognized Obligation Payment Schedule within 10 days after the February 1 deadline.

#### ***Last and Final Recognized Obligation Payment Schedule***

SB 107 amended the Dissolution Act to permit certain successor agencies with limited remaining obligations to submit a voluntary and optional Last and Final ROPS for approval by the oversight board and DOF. The Last and Final ROPS must list the remaining enforceable obligations of the successor agency, including the total outstanding obligation amount and a schedule of remaining payments for each enforceable obligation to be funded from the Redevelopment Property Tax Trust Fund, bond proceeds, or other legally or contractually dedicated or restricted funding sources. The Last and Final ROPS will also establish the maximum amount of Redevelopment Property Tax Trust Fund to be distributed to the successor agency for each remaining fiscal year until all obligations have been fully paid.

Any revenues, interest, and earnings of the successor agency that are not authorized for use pursuant to the approved Last and Final ROPS shall be remitted to the county auditor-controller for distribution to the affected taxing entities. Notwithstanding provisions in the Dissolution Act concerning

disposition of real property pursuant to a successor agency's long-range property management plan, proceeds from the disposition of real property subsequent to the approval of the Last and Final ROPS that are not necessary for the payment of an enforceable obligation shall be remitted to the county auditor controller for distribution to the affected taxing entities. A successor agency may not expend more than the amount approved for each enforceable obligation listed on the approved Last and Final ROPS, and once the successor agency has received Redevelopment Property Tax Trust Fund moneys equal to the amount of the total outstanding obligations approved in the Last and Final ROPS, the county auditor controller will not allocate further Redevelopment Property Tax Trust Fund moneys to the successor agency's Redevelopment Property Tax Trust Fund.

Successor agencies may only amend an approved Last and Final ROPS twice. If the Agency receives insufficient funds in any given period after a Last and Final ROPS has been approved, the Dissolution Act provides that the County treasurer may loan, and the City may loan or grant, funds to the Agency for the payment of enforceable obligations. Any such loans may not include an interest component and must be repaid from the source of funds approved for payment of the underlying enforceable obligation once sufficient funds become available. The Dissolution Act further provides that any such loan may not increase the total amount of Redevelopment Property Tax Trust Fund received by the Agency as approved on the Last and Final ROPS. In any event, if the Agency prepares and obtains DOF approval of a Last and Final ROPS and subsequently amends the Last and Final ROPS two times, the Agency may be unable to make unexpected or unscheduled reserve deposits or payments due to any the Insurer of Bonds or insurer of Parity Bonds. [The Agency has covenanted in the Indenture not to submit a Last and Final Recognized Obligation Payment Schedule without the prior written consent of the Insurer.]

There can be no assurance that the Agency would elect to submit a Last and Final Recognized Obligation Payment Schedule. Further, there can be no assurance that additional legislation will not be enacted in the future that may affect successor agencies or tax increment revenues, including Pledged Tax Revenues.

### **Bankruptcy and Foreclosure**

The payment of the property taxes from which Pledged Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

### **Estimated Revenues**

In estimating that Pledged Tax Revenues will be sufficient to pay debt service on the Bonds after payment of the Senior Bonds, the Agency has made certain assumptions with regard to, among other things, future assessed valuation in the Project Areas, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will

be realized and to the extent that the assessed valuation and the tax rates are less than expected, the Pledged Tax Revenues available to pay debt service on the Bonds will be less than those projected and such reduced Pledged Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Bonds.

### **Hazardous Substances**

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

### **Natural Disasters**

The value of the property in the Project Areas in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the Project Areas could be diminished in the aftermath of such events. A substantial reduction of the value of such properties and could affect the ability or willingness of the property owners to pay the property taxes.

The City, like most communities in California, is an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. Numerous active and inactive fault lines pass through or near the City. The occurrence of severe seismic activity in the City could result in substantial damage to property located in the Project Areas, and could lead to successful appeals for reduction in assessed values of such property. Such a reduction could result in a decrease in Pledged Tax Revenues.

### **Changes in the Law**

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Pledged Tax Revenues, which could have an adverse effect on the Agency's ability to pay debt service on the Bonds.

### **Investment Risk**

Funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See Appendix A attached hereto for a summary of the definition of Permitted Investments. The funds and accounts of the Agency, into which a portion of the proceeds of the Bonds will be deposited and into which Pledged Tax Revenues are deposited, may be invested by the Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk.



Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Agency cannot predict the effects on the receipt of Pledged Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy. See Appendix E — “COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2015 (EXCLUDING SUPPLEMENTARY INFORMATION)” regarding the City’s finances. See also “RISK FACTORS — Bankruptcy and Foreclosure.”

### **Additional Obligations**

The potential for the issuance of Parity Bonds could, in certain circumstances, increase 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 Pledged Tax Revenues. However, Section 34177.5 of the Dissolution Act provides limited authority for successor agencies to issue bonds, and the Agency’s ability to issue Parity Bonds is subject to the requirements of the Dissolution Act as in effect from time to time. For additional information, see described “SECURITY FOR THE BONDS — Parity Bonds.”

### **No Validation Proceeding Undertaken**

California Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a “validation proceeding,” for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the Bonds, California Government Code Section 53511 authorizes a local agency to “bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness.” Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters herein adjudicated or which could have been adjudicated, against all persons: “The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive.”

The Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the Bonds. The Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the Bonds and specifying the related deadline for any challenge to the Bonds to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, must be brought within thirty (30) days after the date on which the oversight board approves the resolution of the successor agency approving the such financing. Such challenge period expired with respect to the Bonds and the Oversight Board Resolution on \_\_\_\_\_, 2016.

It is possible a lawsuit challenging the Dissolution Act or specific provisions thereof could be successful and that the mechanisms currently provided for under the Dissolution Act to provide for distribution of Pledged Tax Revenues to the Agency for payment on the Bonds could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the Bonds.

However, the Indenture additionally provides that if, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act (upon which

the distribution of Pledged Tax Revenues to the Agency rely) are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution. Additionally, any action by a court to invalidate provisions of the Dissolution Act required for the timely payment of principal of, and interest on, the Bonds could be subject to the same issues regarding unconstitutional impairment of contracts and unconstitutional taking without just compensation. The Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Agency and the availability of Pledged Tax Revenues for the payment of debt service on the Bonds in the event of successful challenges to the Dissolution Act or portions thereof. However, the Agency does not guarantee that any lawsuit challenging the Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Agency's ability to timely pay debt service on the Bonds.

### **Insured Bonds**

In the event that the Agency fails to provide funds to make payment of the principal of and interest with respect to the Bonds when the same shall become due, any owner of such Bonds shall have a claim on the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed under the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration. The Policy does not insure the payment of any redemption premium payable upon the optional redemption of the Bonds.

Purchasers of the Bonds should also note that, while the Policy will insure payment of the principal amount (but not any premium) paid to any owner of the Bonds in connection with the mandatory or optional prepayment of any Bond which is recovered from such owner as a voidable preference under applicable bankruptcy law, such amounts will be repaid by the Insurer to the Owner only at the times and in the amounts as would have been due absent such prepayment unless the Insurer chooses to pay such amount at an earlier date or dates.

Under no circumstances, including the situation in which the interest with respect to the Bonds becomes subject to federal taxation for any reason, can the maturities of the Bonds be accelerated without the consent of the Insurer, so long as the Insurer performs its obligations under the Policy. Furthermore, so long as the Insurer performs its obligations under the Policy, the Insurer shall be deemed to be the sole holder of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent of direction or taking any other action that the Owners of such Bonds are entitled to take pursuant to the Indenture pertaining to defaults and remedies, and the duties and obligations of the Trustee.

In the event that the Insurer is unable to make payments of principal of and interest on the Bonds as such payments become due, the Bonds are payable solely from moneys received by the Trustee pursuant to the Indenture.

In the event that the Insurer is required to pay principal of or interest with respect to the Bonds, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of the Bonds.

The long-term rating on the Bonds is dependent, in part, on the claims paying ability or financial strength ratings, as applicable, of the Insurer. The Insurer's current claims paying ability or financial strength ratings are predicated upon a number of factors which could change over time and could result in

downgrading of the ratings on the Bonds insured by the Insurer. Such a downgrade could adversely affect the market price for, and marketability of, the Bonds. The Insurer is not contractually bound to maintain its present claims paying ability or financial strength ratings in the future. See “CONCLUDING INFORMATION — Ratings” herein.

***Creditworthiness of the Insurer.*** The Insurer’s obligation under the Policy is a general obligation of the Insurer. Default by the Insurer may result in insufficient funds being available to pay the principal of and interest on the Insured Bonds. In such event, the remedies available to the applicable Trustee may be limited by, among other things, certain risks related to bankruptcy proceedings, and may also have been altered prior to a default by the Insurer, which has the right, acting with the Trustee, without Owner consent, to amend the applicable provisions of the Indenture governing defaults and remedies and to direct the Trustee to direct remedies with respect to such Obligation. The Policy does not insure the payment of redemption premiums.

When making an investment decision on the Insured Bonds a prospective Owner should look to the ability of the Agency to pay principal and interest on the Bonds and not solely to the Insurer’s ability to pay claims under the Policy. No review of the business or affairs of the Insurer has been conducted by the Agency in connection with the offering of the Bonds. No assurance can be given by the Agency as to the Insurer’s ability to pay claims under the Policy. See “BOND INSURANCE” herein and Appendix H hereto for further information concerning the Insurer and the Policy, including instructions for obtaining certain financial information concerning the Insurer.

## **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such 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 then prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **PROPERTY TAXATION IN CALIFORNIA**

### **Property Tax Collection Procedures**

***Classification.*** In the State, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the County assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property arising pursuant to State law, regardless of the time of the creation of other liens.

Generally, *ad valorem* taxes are collected by a county (the “Taxing Authority”) for the benefit of the various entities (cities, schools and special districts) that share in the *ad valorem* tax (each a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Fund.

***Collections.*** Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different

for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) 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, (iii) filing a certificate of delinquency for record in the county recorder's office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling 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 the property securing the taxes to the State for the amount of taxes which are delinquent.

**Penalty.** 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 by operation of law and declaration of the tax collector on or about June 30 of each 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. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

**Delinquencies.** The valuation of property is determined as of the January 1 lien date as equalized in August of 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 and become delinquent August 31.

**Supplemental Assessments.** California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund 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 supplemental assessments occur within the Project Areas, Pledged Tax Revenues may increase.

**Property Tax Administrative Costs.** In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2015-16, the County's administrative charge to the Agency was \$\_\_\_\_\_.

**Negotiated Pass-Through Agreements.** Prior to 1994, under the Redevelopment Law, a redevelopment agency could enter into an agreement to pay increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for payment or pass-through of tax increment revenue directed to the affected taxing agency, and, therefore, are commonly referred to as pass-through agreements or tax

sharing agreements. The Agency agreements with affected taxing agencies are referred to herein as “Pass-Through Agreements.” See “THE PROJECT AREAS — Pass Through Agreements and Obligations with Various Taxing Agencies.” See also “SECURITY FOR THE BONDS — Tax Increment Financing” for additional discussion of the treatment of Pass-Through Agreements under the Dissolution Act.

**Statutory Pass-Throughs.** The payment of Statutory Pass-Through Amounts (defined in Appendix A) results from (i) plan amendments which add territory in existing project areas on or after January 1, 1994 and (ii) from plan amendments which eliminates one or more limitations within a redevelopment plan (such as the removal of the time limit on the establishment of loans, advances and indebtedness). The calculation of the amount due affected taxing entities is described in Sections 33607.5 and 33607.7 of the Redevelopment Law. See “THE PROJECT AREAS — Pass-Throughs Agreements and Obligations with Various Taxing Agencies” and “SECURITY FOR THE BONDS — Tax Increment Financing” for further information regarding the applicability of the statutory pass-through provisions of the Redevelopment Law and the Dissolution Act to the various sub-areas of the Project Areas.

**Recognized Obligation Payment Schedule.** The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Annually by each February 1, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency’s oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See “SECURITY FOR THE BONDS — Recognized Obligation Payment Schedule” and “RISK FACTORS — Recognized Obligation Payment Schedule.”

## **Unitary Property**

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

AB 454 (Statutes of 1987, Chapter 921) further modifies chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

## **Article XIII A of the State Constitution**

Article XIII A limits the amount of ad valorem taxes on real property to 1% of “full cash value” of such property, as determined by the county assessor. Article XIII A defines “full cash value” to mean “the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” Furthermore, the “full cash value” of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced. (See “RISK FACTORS — Reduction in Inflationary Rate.”)

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIII A (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional ad valorem taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIII A has been upheld by both the California Supreme Court and the United States Supreme Court.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchase” and “change of ownership,” for the purposes of determining full cash value of property under Article XIII A, 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. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIII A to permit the Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the Legislature’s action, the growth of property tax revenues may decline.

Legislation enacted by the Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

## **Appropriations Limitation – Article XIII B**

Article XIII B limits the annual appropriations of the State and its political subdivisions 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. The “base year” for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by an agency of proceeds of taxes levied by or on behalf of an agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Agency has not adopted an appropriations limit.

### **Articles XIII C and XIII D of the State Constitution**

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIII C and XIII D to the State Constitution. Provisions in the two articles affect the ability of local government to raise revenues. The Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218. See also “— Propositions 218 and 26” below.

### **Proposition 87**

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Prior Agency or the Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies. SB 107 amended Section 34183(a)(1) of the Dissolution Act to provide that such debt service override revenues approved by the voters for the purpose of supporting pension programs, capital projects, or programs related to the State Water Project that are not pledged to or not needed for debt service on successor agency obligations will be allocated and paid to the entity that levies the override.

### **Redevelopment Time Limits**

In 1993, the State legislature passed AB 1290, which, among other things, required redevelopment agencies to adopt time limits in each redevelopment plan specifying: 1) the last date to incur debt for a redevelopment project; 2) the last date to undertake redevelopment activity within a project area; and 3) the last date to collect tax increment revenue from a project area to repay debt. Pursuant to AB 1290, which took effect January 1, 1994, the City Council adopted ordinances amending the Redevelopment Plans in the Project Areas to impose limits on plan activity in each area, as well as a date past which tax increment revenue could not be collected.

SB 107 amended the Dissolution Act to provide that the time limits for receiving property tax revenues and the limitation on the maximum amount of property tax revenues that may be received by the Agency for the Project Areas are not effective for purposes of paying the Agency’s enforceable obligations. As a result, the time and amount limits with respect to property tax revenues described under the caption “THE PROJECT AREAS” will be disregarded to the extent that property tax revenues are required to pay debt service on the Bonds.

## **Appeals of Assessed Values**

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the "base year" value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for "ongoing hardship" in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Pledged Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted. See "THE PROJECT AREAS — Largest Local Secured Taxpayers" for information regarding the assessed valuations of the top ten property owners within the Project Areas. (See "Appendix F — FINANCIAL ADVISOR'S REPORT" herein for a discussion of pending appeals.)

## **Proposition 8**

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), 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 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 code section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.



## **Propositions 218 and 26**

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 XIIC and XIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIIC of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. Pledged 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 are limited by Proposition 218 and outside of the scope of taxes which are limited by Proposition 26.

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIIC and Article XIID and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency’s ability to expend revenues.

## **THE PROJECT AREAS**

### **Project Area No. 1 – Background**

On November 29, 1983, following requisite studies and hearing by the Planning Commission and the Agency, the City Council passed Ordinance No. 43 which approved and adopted the Redevelopment Plan for Project Area No. 1. The Ordinance became effective December 29, 1983. The Project Area No. 1 Redevelopment Plan provides for the elimination of blight and deterioration which were found to exist in Project Area No. 1. In December, 1994 and March, 1995, the Prior Agency amended the Project Area No. 1 Redevelopment Plan in order to better address infrastructure and economic development needs within Project Area No. 1. The Plan Amendment (a) increased the aggregate tax increment limit for the Project Area No. 1 to \$2 billion and the outstanding bonded indebtedness limit to \$200 million, (b) expanded the list of infrastructure and public facility projects the Agency may fund with tax increment revenues and (c) established new time frames within which the Agency may incur indebtedness for Project Area No. 1, use eminent domain for property acquisition and undertake redevelopment projects, and receive tax increment revenue. For additional Project Area No. 1 information, see Appendix F — “FINANCIAL ADVISOR’S REPORT” herein.

### **Project Area No. 2 – Background**

On May 16, 1989, following requisite studies and hearing by the Planning Commission and the Prior Agency, the City Council passed Ordinance No. 139 which approved and adopted the Redevelopment Plan for Project Area No. 2. The Ordinance became effective June 15, 1989. The Project Area No. 2 Redevelopment Plan was amended on March 16, 2004 to increase the tax increment limit from \$400,000,000 to \$1,500,000,000. The Project Area No. 2 Redevelopment Plan provides for the elimination of physical blight and economic obsolescence which was found to exist in Project Area No. 2. For additional Project Area No. 2 information, see Appendix F — “FINANCIAL ADVISOR’S REPORT” herein.

**No Redevelopment Plan Limitations**

The Redevelopment Plans set forth various limitations that are no longer operative with the passage of SB 107. SB 107, which became effective September 22, 2015, amended the Dissolution Act to provide that the time limits for receiving property tax revenues and the limitation on the amount of property tax revenues that may be received by the Prior Agency and the Agency set forth in the Redevelopment Plans are not effective for purposes of paying the Agency’s enforceable obligations. Accordingly, the projections set forth in this Official Statement were prepared without regard to the time and financial limitations set forth in the Redevelopment Plans described below.

As amended, the Project Area No. 1 Redevelopment Plan was scheduled to terminate on November 29, 2024, with the Agency collecting tax increment revenues through November 29, 2034 in compliance with Section 33333.6 of the Redevelopment Law.

	<b>Project Area No. 1 Redevelopment Plan Limit</b>
Bonded Indebtedness	
Cumulative Amount (principal)	\$ 200,000,000
Tax Increment	
Cumulative Limit	\$ 2,000,000,000 <sup>(1)</sup>
Final Date to Collect Tax Increment	November 29, 2034 <sup>(1)</sup>

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<sup>(1)</sup> Pursuant to SB 107, this limit is no longer effective for purposes of paying the Bonds.

As amended, the Project Area No. 2 Redevelopment Plan was scheduled to terminate on May 16, 2030, with the Agency collecting tax increment revenues through May 16, 2040 in compliance with Section 33333.6 of the Redevelopment Law.

	<b>Project Area No. 2 Redevelopment Plan Limit</b>
Bonded Indebtedness	
Cumulative Amount (principal)	\$ 187,860,000
Tax Increment	
Cumulative Limit	\$ 1,500,000,000 <sup>(1)</sup>
Final Date to Collect Tax Increment	May 16, 2040 <sup>(1)</sup>

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<sup>(1)</sup> Pursuant to SB 107, this limit is no longer effective for purposes of paying the Bonds.

**Location and Surrounding Area**

Project Area No. 1 encompasses approximately 17.9 square miles (11,475 acres) accounting for approximately fifty percent (50%) of the total current corporate area of the City.

Project Area No. 2 encompasses approximately 4.9 square miles (3,130 acres) accounting for approximately fourteen percent (14%) of the total current corporate area of the City.

## Pass-Through Agreements and Obligations with Various Taxing Agencies

**Project Area No. 1.** Pursuant to the Redevelopment Law, the Prior Agency entered into tax sharing agreements or is required to make statutory pass-through payments with affected taxing agencies in Project Area No. 1. Although some of these pass-through agreements are expressly subordinated to the pledge of Pledged Tax Revenues to the payment of the Bonds, the Agency may receive such amounts only upon satisfaction of conditions set forth in the Dissolution Act as described under the heading “SECURITY FOR THE BONDS — Tax Increment Financing” and such payments are excluded from the calculation of Pledged Tax Revenues shown in the table “SUCCESSOR AGENCY PROJECTED PLEDGED TAX REVENUES” and under shown under the heading “Debt Service Coverage” below.

- (1) Coachella Valley Unified School District\*\*\*;
- (2) Coachella Valley Mosquito and Vector Control District\*\*;
- (3) Coachella Valley Water District\*\*;
- (4) County of Riverside;
- (5) Desert Sands Unified School District;
- (6) Desert Community College District;
- (7) County Superintendent of Schools/Office of Education\*;
- (8) Coachella Valley Public Cemetery District\*;
- (9) Desert Recreation District\*;
- (10) Coachella Valley Resource Conservation District\*; and
- (11) City of La Quinta\*.

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\* Statutory, See Appendix F for anticipated start dates.

\*\* Not subordinate.

\*\*\* Obligation paid in full.

**Project Area No. 2.** Pursuant to the Redevelopment Law, the Prior Agency entered into tax sharing agreements or is required to make statutory pass-through payments with affected taxing agencies in Project Area No. 2. These pass-through agreements are not subordinated to the pledge of Pledged Tax Revenues to the payment of the Bonds.

- (1) County of Riverside;
- (2) Desert Community College District;
- (3) Riverside County Superintendent of Schools/Office of Education;
- (4) Coachella Valley Water District;
- (5) Desert Recreation District;
- (6) Desert Sands Unified School District;
- (7) Coachella Valley Mosquito and Vector Control District;
- (8) Coachella Valley Resource Conservation District\*;
- (9) Coachella Valley Public Cemetery District\*; and
- (10) City of La Quinta\*.

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\* Statutory, See Appendix F for anticipated start dates.

### Largest Local Secured Taxpayers

Set forth below are the ten largest secured property taxpayers in Project Area No. 1 based on the 2015-16 secured assessed value. These taxpayers represent approximately \_\_\_% of the 2015-16 secured assessed value in Project Area No. 1. [TO BE UPDATED]

<i>Property Owner</i>	<i>Land Use</i>	<i>Secured Value</i>	<i>% of Total</i>
KSL Desert Resort, et al.	Hotel/Golf Course		
Sunrise Desert Partners	Residential Properties		
MSR Resort Golf Course	Golf Course/Country Club		
Lands LP	Apartments		
Village Resort	Hotel		
Nadador LLC	Timeshare Property		
Quarry at La Quinta, et al.	Hotel		
LQ Investment	Commercial		
Tradition Golf Course	Country Club		
Old Town La Quinta LLC	Commercial		
<b>Total</b>			

Source: California Municipal Statistics Inc.

The following provides a description of the five largest taxpayers in Project Area No. 1.

[KSL Desert Resort, et.al, owner. This property is known as the La Quinta Resort & Club, a Waldorf Astoria resort. The resort includes 796 guest rooms situated in Spanish-style casitas, suites and villas, nine golf courses and five clubhouses.

[Sunrise Desert Partners, owner. The properties owned by this owner consist of residential acreage in the PGA West, a 2,000 acre golf and lifestyle community.

[MSR Resort Golf Course, owner. This property is comprised of the three PGA West clubhouses and 109 holes of championship golf designed by Arnold Palmer, Tom Weiskopf, Pete Dye, Greg Norman, and Jack Nicklaus.

[Lands LP, owner. This 10-acre property is developed with the Silverhawk apartments.

[Village Resort, owner. This property is 6.8 acres, developed with an Embassy Suites hotel offering 146 guest rooms.]

Set forth below are the ten largest secured property taxpayers in Project Area No. 2 based on the 2015-16 secured assessed value. These taxpayers represent approximately \_\_\_\_% of the 2015-16 secured assessed value in Project Area No. 2. [TO BE UPDATED]

<i>Property Owner</i>	<i>Land Use</i>	<i>Secured Value</i>	<i>% of Total</i>
Inland America La Quinta Pavillion	Commercial		
Wal Mart Real Estate Business Trust	Commercial		
Aventine Development	Apartments		
One Eleven La Quinta	Commercial		
P6K Portfolio KDP	Commercial		
TD Desert Dev LP	Country Club		
Washington 111 Ltd	Apartments		
Costco Wholesale Corp.	Commercial		
Target Corp.	Commercial		
Eagle Hardware & Garden Inc.	Commercial		
<b>Total</b>			

Source: California Municipal Statistics Inc.

The following provides a description of the five largest taxpayers in Project Area No. 2.

Inland American La Quinta Pavilion, owner. This 18-acre property is developed with a commercial center, with Best Buy, DSW and Sprouts as anchor tenants.

Wal Mart Real Estate Business Trust, owner. This Wal Mart center is 830,000 square feet and located on 19 acres.

Aventine Development, owner. This property is developed with 200 low-rise apartments on a 14 acre site.

One Eleven La Quinta, owner. This commercial center includes Ross Dress for Less, Big 5 Sporting Goods and Stater Brothers as anchor tenants.

P6K Portfolio KDP, owner. This commercial center, known as the Komar Desert Center, was developed in 2008. The center contains a Costco (separately owned) and surrounding food and smaller retail uses, including BevMo!]

### **Teeter Plan and Delinquency Rates**

The Riverside County property tax delinquency rate has ranged from approximately 8% in 2009-10 decreasing to \_\_\_\_% in 201\_\_\_\_. According to the County Auditor-Controller, the delinquency rate Countywide in Fiscal Year 2014-15 was \_\_\_\_%.

The County participates in the “Teeter Plan,” which stabilizes property tax payments at 100 percent of anticipated receipts although deposits to the RPTTF are not part of the Teeter Plan. These deposits are payable based on first collection so consequently, delinquent property taxes do not impact the Agency’s tax increment revenues.

## PLEGGED TAX REVENUES

Pledged Tax Revenues (as described in the section “SECURITY FOR THE BONDS” herein) are to be deposited in the Redevelopment Obligation Retirement Fund, and after transfers have been made by the Agency to the Debt Service Fund, administered by the Trustee and applied to the payment of the principal of and interest on the Bonds.

### Schedule of Historical Pledged Tax Revenues

The following tables are a schedule of the taxable valuations for Fiscal Years 2011-12 through 2015-16 and Pledged Tax Revenues in the Project Areas for the Fiscal Years 2011-12 through 2015-16.

### PROJECT AREA NO. 1 HISTORICAL ASSESSED VALUATIONS AND GROSS TAX INCREMENT REVENUES

	2011-12	2012-13	2013-14	2014-15	2015-16
Secured Assessed Value	\$4,248,567,040	\$4,220,927,365	\$4,376,573,490		
Unsecured Assessed Value	<u>31,665,376</u>	<u>33,872,601</u>	<u>29,894,413</u>		
Total Assessed Valuation <sup>(1)</sup>	4,280,232,416	4,254,799,966	4,406,467,903		
Base Year Valuation	<u>(199,398,233)</u>	<u>(199,398,233)</u>	<u>(199,398,233)</u>		
Incremental Valuation	\$4,080,834,183	\$4,055,401,733	\$4,207,069,670		
1% Tax Rate	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>		
Tax Increment Revenues <sup>(2)</sup>	40,808,342	40,554,017	42,070,697		
Unitary Revenue	<u>496,731</u>	<u>468,931</u>	<u>470,000</u>		
<b>Gross Tax Revenues</b>	<b>\$ 41,305,073</b>	<b>\$ 41,022,948</b>	<b>\$ 42,540,697</b>		
<b>Actual Tax Revenues</b>	<b>\$ 41,157,343</b>	<b>\$ 41,220,251</b>			

<sup>(1)</sup> Taxable Valuation as of August 20 equalized roll.

<sup>(2)</sup> Commencing with Fiscal Year 2015-16, the property tax revenues available to the Agency to pay enforceable obligations is based on a tax rate of 1.0%. In prior years the tax rate for the Project Area No. 1 was greater than 1.0, most recently [\_\_\_\_] percent. This change resulted from the enactment of SB 107.

Source: Harrell & Company Advisors LLC.

Actual Tax Increment Collections and deductions from Tax Increment Revenues for Project Area No. 1 are shown below:

### PROJECT AREA NO. 1 HISTORICAL TAX REVENUES

	2011-12	2012-13	2013-14	2014-15	2015-16
Actual Tax Revenues	\$ 41,157,343	\$ 41,220,251			
Housing Set-Aside	-	-			
Housing Obligations <sup>(1)</sup>	(5,480,234)	(5,555,434)			
Senior Tax Sharing	<u>(1,661,527)</u>	<u>(1,382,643)</u>			
<b>Available for Debt Service</b>	<b>\$ 34,015,582</b>	<b>\$ 34,282,174</b>			
Subordinate Tax Sharing	<u>(16,702,023)</u>	<u>(16,671,443)</u>			
<b>Net Available</b>	<b>\$ 17,313,559</b>	<b>\$ 17,610,731</b>			

<sup>(1)</sup> Prorata share of the 2004 Loan and the 2011 Loan based on amounts from each Project Area that would have been required to be set aside for Low and Moderate Income Housing.

Source: Harrell & Company Advisors LLC.

**PROJECT AREA NO. 2  
HISTORICAL ASSESSED VALUATIONS AND GROSS TAX INCREMENT REVENUES**

	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>
Secured Assessed Value	\$2,360,463,457	\$2,318,312,944	\$2,426,052,754		
Unsecured Assessed Value	<u>57,899,939</u>	<u>62,055,089</u>	<u>67,195,981</u>		
Total Assessed Valuation <sup>(1)</sup>	2,418,363,396	2,380,368,033	2,493,248,735		
Base Year Valuation	<u>(95,182,755)</u>	<u>(95,182,755)</u>	<u>(95,182,755)</u>		
Incremental Valuation	\$2,323,180,641	\$2,285,185,278	\$2,398,065,980		
Basic Tax Rate/\$100	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>		
Tax Increment Revenues <sup>(2)</sup>	23,231,806	22,851,853	23,980,660		
Unitary Revenue	<u>181,183</u>	<u>174,162</u>	<u>175,000</u>		
<b>Gross Tax Revenues</b>	<b>\$ 23,412,989</b>	<b>\$ 23,026,015</b>	<b>\$ 24,155,660</b>		
<b>Actual Tax Revenues</b>	<b>\$ 23,513,859</b>	<b>\$ 22,893,004</b>			

<sup>(1)</sup> Taxable Valuation as of August 20 equalized roll.

<sup>(2)</sup> Commencing with Fiscal Year 2015-16, the property tax revenues available to the Agency to pay enforceable obligations is based on a tax rate of 1.0%. In prior years the tax rate for the Project Area No. 2 was greater than 1.0, most recently [\_\_\_\_] percent. This change resulted from the enactment of SB 107.

Source: Harrell & Company Advisors LLC.

Actual Tax Increment collections and deductions from Tax Increment Revenues for Project Area No. 2 are shown below:

**PROJECT AREA NO. 2  
HISTORICAL TAX REVENUES**

	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>
Actual Tax Revenues	\$ 23,513,859	\$ 22,893,004			
Housing Set-Aside	-	-			
Housing Obligations <sup>(1)</sup>	(3,130,947)	(3,055,747)			
Senior Tax Sharing	<u>(15,854,843)</u>	<u>(15,684,399)</u>			
<b>Available for Debt Service</b>	<b>\$ 4,528,069</b>	<b>\$ 4,152,858</b>			

<sup>(1)</sup> Prorata share of the 2004 Loan and the 2011 Loan based on amounts from each Project Area that would have been required to be set aside for Low and Moderate Income Housing.

Source: Harrell & Company Advisors LLC.

In Fiscal Year 2006-07 through Fiscal Year 2014-15 the tax rate for the Project Areas was [\_\_\_\_]%, which included the 1.0% rate, and \_\_\_\_\_ at [\_\_\_\_]% and no other eligible debt service rates.

Starting with Fiscal Year 2015-16, the County is depositing property tax revenues for the Agency into the Redevelopment Property Tax Trust Fund based on a 1.0% tax rate, in accordance with SB 107, which was enacted in 2015. SB 107, among other things, amended Section 34183(a)(1)(B) to provide that “[n]otwithstanding subdivision (b) of Section 33670, that portion of the taxes in excess of the identified in subdivision (a) of Section 33670, which are attributable to a property tax approved by the voters of a city . . . to make payments in support of pension programs or . . . , and levied in addition to the property tax rate limited by [Proposition 13] shall be allocated to and when collected shall be paid into the fund of that taxing entity, unless the amounts in question are pledged as security for the payment of any indebtedness obligation, as defined in subdivision (e) of Section 34171, and needed for payment thereof.”

### **Annual Debt Service**

Set forth below is the annualized debt service for the term of the Bonds.

<b>Maturity Date</b> <b>September 1 of</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
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Total



Set forth below is the combined annualized debt service for the term of the Senior Bonds, Parity Bonds, and Bonds.

<b>Maturity Date September 1</b>	<b>Senior Bonds</b>	<b>2013A Bonds</b>	<b>2013B Bonds</b>	<b>Bonds</b>	<b>Combined Debt Service</b>
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
Total					

**Projected Taxable Valuation and Pledged Tax Revenues**

The Agency has retained Harrell & Company Advisors LLC of Orange, California to provide projections of taxable valuation and Pledged Tax Revenues from developments in the Project Areas. The Agency believes the assumptions (set forth in the footnotes below and Appendix F — “FINANCIAL ADVISOR’S REPORT”) upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see “RISK FACTORS”). Therefore, the actual Pledged Tax Revenues received during the forecast period may vary from the projections and the variations may be material. The projected Pledged Tax Revenues are as follows:

**SUCCESSOR AGENCY PROJECTED PLEDGED TAX REVENUES**

<b>Fiscal Year</b>	<b>Project No. 1 Tax Revenues<sup>(1)</sup></b>	<b>Project No. 2 Tax Revenues</b>	<b>Tax Revenues Before Senior Bonds</b>	<b>Senior Bonds</b>	<b>Pledged Tax Revenues</b>
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					

<sup>(1)</sup> All Subordinated Pass-Through Amounts have been deducted.  
Source: Harrell & Company Advisors LLC.

**Debt Service Coverage**

Set forth below is the estimated debt service coverage of the Bonds and the Senior Bonds using Pledged Tax Revenues based on Fiscal Year 2015-16 assessed value without additional inflationary growth or new construction.

<b>Bond Year Ending September 1</b>	<b>No Growth Tax Revenues Before Senior Bonds <sup>(1)</sup></b>	<b>Combined Annual Debt Service <sup>(2)</sup></b>	<b>Combined Debt Service Coverage</b>
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			

<sup>(1)</sup> Tax Revenues before Senior Bonds include No Growth Pledged Tax Revenues without netting 2014 Bond Payments. All Subordinated Pass-Through Amounts have been deducted.

<sup>(2)</sup> Includes the 2014 Bonds, 2013A Bonds, 2013B Bonds and Bonds.

Source: The Financial Advisor and the Underwriter.

Set forth below is the estimated debt service coverage of the Bonds and the Senior Bonds using Pledged Tax Revenues based on Fiscal Year 2015-16 assessed value and 2% annual inflationary growth thereafter through maturity.

<b>Bond Year Ending September 1</b>	<b>Tax Revenues Before Senior Bonds <sup>(1)</sup></b>	<b>Combined Annual Debt Service <sup>(2)</sup></b>	<b>Combined Debt Service Coverage</b>
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			

<sup>(1)</sup> Tax Revenues before Senior Bonds include No Growth Pledged Tax Revenues without netting 2014 Bond Payments. All Subordinated Pass-Through Amounts have been deducted.

<sup>(2)</sup> Includes the 2014 Bonds, 2013A Bonds, 2013B Bonds and Bonds.

Source: The Financial Advisor and the Underwriter.

## CONCLUDING INFORMATION

### Underwriting

Hilltop Securities Inc. (the “Underwriter”), has agreed, subject to certain customary conditions precedent to closing, to purchase the Bonds from the Agency at a price equal to \$[\_\_\_\_\_] (which equals the par amount of the Bonds, less an underwriting discount of \$[\_\_\_\_\_], and [plus/less] a net original issue [premium/discount] of \$[\_\_\_\_\_]). The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, plus accrued interest from the dated date of the Bonds to their date of delivery, which prices may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the 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.

### **Verification of Mathematical Accuracy**

[VERIFICATION AGENT], an independent accountant, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them that were prepared by the Underwriter, relating to the sufficiency of moneys deposited into the Escrow Fund created under the Escrow Agreement, to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements with respect to the Refunded Bonds.

The report of [VERIFICATION AGENT] will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or date or information coming to its attention, subsequent to the date of its report.

### **Legal Opinion**

The opinion of Rutan & Tucker LLP, Costa Mesa, California, Bond Counsel, approving the validity of the Bonds and stating that interest on the Bonds is excluded from personal income taxes of the State of California under present State income tax laws, will be furnished to the purchaser at the time of delivery of the Bonds at the expense of the Agency. Compensation for Bond Counsel's services is entirely contingent upon the sale and delivery of the Bonds.

A copy of the proposed form of Bond Counsel's final approving opinion with respect to the Bonds is attached hereto as Appendix B. The legal opinion is only as to legality and is not intended to be nor is it to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Bonds.

In addition, certain legal matters will be passed on by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel.

### **Tax Matters**

[TO COME]

### **Litigation**

[There is no action, suit or proceeding known to the Agency to be pending and notice of which has been served upon and received by the Agency, or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Agency taken with respect to any of the foregoing.] [CONFIRM]

### **Legality for Investment in California**

The Redevelopment Law provides that obligations authorized and issued under the Redevelopment Law will be legal investments for all banks, trust companies and savings banks, insurance companies, and various other financial institutions, as well as for trust funds. The Bonds are also authorized security for public deposits under the Redevelopment Law.

The Superintendent of Banks of the State of California has previously ruled that obligations of a redevelopment agency are eligible for savings bank investment in California.

### **Ratings**

S&P Global Ratings (“S&P”) is expected to assign a rating of “\_\_\_” to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the payment of principal of and interest on the Bonds when due will be issued by [INSURER]. See “BOND INSURANCE.” In addition, S&P has assigned its underlying municipal bond rating of “\_\_\_” on the Bonds without giving effect to the above-described municipal bond insurance policy.

These ratings reflect the view of S&P as to the credit quality of the Bonds. The ratings reflect only the view of S&P, and explanation of the significance of the ratings may be obtained from S&P Global Ratings, 55 Water Street, New York, New York 10041 (212) 438-2124. There is no assurance that the ratings will continue for any given period of time or that they 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 the ratings may have an adverse effect on the market price of the Bonds.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to withdrawal or revision at any time.

### **Continuing Disclosure**

Pursuant to a Continuing Disclosure Agreement with Willdan Financial Services, as Dissemination Agent (the “Disclosure Agreement”), the Agency has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (“MSRB”) certain annual financial information and operating data relating to the Agency (the “Annual Report”) no later than March 31 of each year, commencing March 31, 2017, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the Agency or its Dissemination Agent with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

[PRIOR UNDERTAKING COMPLIANCE TO COME]

### **Miscellaneous**

All of the preceding summaries of the Indenture, the Bond Law, the Dissolution Act, the Redevelopment Law, other applicable legislation, the Redevelopment Plans for the Project Areas, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

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

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

SUCCESSOR AGENCY TO THE LA QUINTA  
REDEVELOPMENT AGENCY

By: \_\_\_\_\_  
Executive Director

## **APPENDIX A**

### **DEFINITIONS**

*The following are definitions of certain terms contained in the Indenture and used in this Official Statement.*

[TO COME]



**APPENDIX B**

**FORM OF BOND COUNSEL OPINIONS**

*Upon issuance of the Bonds, Rutan & Tucker LLP, Bond Counsel, proposes to render its final approving opinions in substantially the following form:*

\_\_\_\_\_, 2016

Successor Agency to the La Quinta Redevelopment Agency  
La Quinta, California

Re: \$\_\_\_\_\_ Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A

Honorable Members of the Agency:

We have examined certified copies of proceedings of the Successor Agency to the La Quinta Redevelopment Agency (the “Successor Agency”), the Oversight Board to the Successor Agency (the “Oversight Board”), the Department of Finance of the State of California (“DOF”) and other information and documents submitted to us relative to the issuance and sale by the Successor Agency of its Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Successor Agency, the Trustee, the Underwriter of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Constitution and laws of the State of California (the “State”), including Article 11 of Chapter 3 (commencing with Section 53580) of Part 1 of Division 2 of Title 5 of the California Government Code (the “Bond Law”), the provisions of Health & Safety Code Section 34177.5, a resolution of the Successor Agency adopted on \_\_\_\_\_, 2016 (the “Successor Agency Resolution”) and resolutions of the Oversight Board adopted on \_\_\_\_\_, 2016 and \_\_\_\_\_, 2016 (the “Oversight Board Resolutions”), which action was approved by the DOF on \_\_\_\_\_, 2016, and in accordance with the terms and conditions of an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2016 (the “Indenture”), by and between the Successor Agency and U.S. Bank National Association (the “Trustee”). All terms not defined herein have the meanings ascribed to those terms in the Indenture.

The Bonds are dated the date of delivery, and mature on the dates and bear interest at the rates per annum set forth in the Indenture. The Bonds are registered Bonds in the form set forth in the Indenture, redeemable in the amounts, at the times and in the manner provided for 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 Bonds have been duly and validly authorized by the Successor Agency, constitute valid and binding special obligations of the Successor Agency, and are being issued by the Successor Agency to the La Quinta Redevelopment Agency (the “Agency”) on a subordinate basis to the Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds, 2014 Series A (the “Senior Bonds”). The Bonds are enforceable in accordance with their terms and the terms of the Indenture, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors’ rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California. The Bonds are special obligations of the Successor Agency but are not a debt of the City of La Quinta, the State of California or any other political subdivisions thereof within the meaning of any constitutional or statutory limitation, and neither the City of La Quinta, the State of California, nor any other of its political subdivisions, except the Successor Agency, is liable for the payment thereof.

2. The Indenture has been duly authorized by the Successor Agency, is valid and binding upon the Successor Agency and is enforceable in accordance with its terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors’ rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

3. The Indenture creates a valid pledge of that which the Indenture purports to pledge, including, without limitation, the Pledged Tax Revenues and subject to the provisions of the Indenture, except to the extent that such pledge may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors’ rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

4. Interest on the Bonds (including any original issue discount) is excluded from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are 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 Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner’s basis in the applicable Bond. Original issue discount that accrues to the Bond owner is exempt from State of California personal income tax.

The opinions expressed herein are based on an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such 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 any such actions or events are taken or do occur. Such actions or events may adversely affect the value or tax treatment of the Bonds and we express no opinion with respect thereto.

We call attention to the fact that the rights and obligations under the Indenture and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought,

to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

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.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and purchasers of the Bonds should not assume that we have reviewed the Official Statement on their behalf.

Respectfully submitted,

## APPENDIX C

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Agency takes no responsibility for the completeness or accuracy thereof. The Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a S&P Global Ratings rating of AA+. 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](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a

successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof.

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of \_\_\_\_\_, 2016, is executed and delivered by the Successor Agency to the La Quinta Redevelopment Agency (the “Successor Agency”) and Willdan Financial Services as dissemination agent (the “Dissemination Agent”), in connection with the issuance of the \$\_\_\_\_\_ Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A (the “Bonds”). The Bonds are being issued pursuant to provisions of an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2016 (the “Indenture”), by and between the Successor Agency and U.S. Bank National Association, as trustee (the “Trustee”). The Successor Agency and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Successor Agency and the Dissemination Agent for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report or any addendum thereto provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the City Manager of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Trustee and Dissemination Agent from time to time.

“Dissemination Agent” shall mean Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“State” shall mean the State of California.

**SECTION 3. Provision of Annual Reports.**

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than March 31 of each year, commencing March 31, 2017, provide to the MSRB and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. 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 Agreement.

(b) Not later than fifteen days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Successor Agency shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Successor Agency of such failure to receive the Annual Report. The Successor 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 Successor Agency and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall, to the extent information is known to it, file a report with the Successor Agency and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

**SECTION 4. Content of Annual Reports.** The Successor Agency’s Annual Report shall contain or include by reference the following (unless otherwise stated, such information shall be as of the end of the most recent Fiscal Year and shall be with respect to the Successor Agency):

(i) A postaudit of the financial transactions and records of the Successor Agency for the Fiscal Year to be made by an Independent Certified Public Accountant appointed by the Successor Agency 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 Successor Agency’s postaudit is not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain an unaudited statement of financial transactions and records of the Successor Agency in a format required by Section 34177(n) of the Dissolution Act, and the postaudit shall be filed in the same manner as the Annual Report when they become available.

(ii) Financial information and operating data relating to the Project Areas contained in the Official Statement for the Bonds under the headings “THE PROJECT AREAS – Largest Local Secured Taxpayers,” and “PLEDGED TAX REVENUES – Schedule of Historical Pledged Tax Revenues.”



(iii) An update of the debt service coverage table shown in the Official Statement using the most recent Fiscal Year.

(iv) A listing of the amount of each distribution from the Riverside County Auditor-Controller of property tax revenues from the Redevelopment Property Tax Trust Fund received by the Successor Agency for its enforceable obligations for the most recent Fiscal Year, as reasonably available 15 days prior to the due date of each Annual Report.

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 Successor Agency or related public entities, which are available to the public on the MSRB's EMMA Website or filed with the SEC.

**SECTION 5. Reporting of Listed Events.**

(a) Pursuant to the provisions of this section, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the Bonds, the Successor Agency shall give, or cause to be given by so notifying the Dissemination Agent in writing and instructing the Dissemination Agent to give, notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

1. principal or interest payment delinquencies;
2. non-payment related defaults, if material;
3. modifications to the rights of the Bondholders, if material;
4. optional, contingent or unscheduled calls, if material, and tender offers;
5. defeasances;
6. rating changes;
7. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on the credit enhancements reflecting financial difficulties;
10. substitution of the credit or liquidity providers or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds, if material;
12. bankruptcy, insolvency, receivership or similar proceedings of the Successor Agency, which shall occur as described below;
13. appointment of a successor or additional trustee or the change of name of a trustee, if material, or;

14. the consummation of a merger, consolidation, or acquisition involving the Successor Agency or the sale of all or substantially all of the assets of the Successor Agency other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

For these purposes, any event described in item 12 of this Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

(b) Upon receipt of notice from the Successor Agency and instruction by the Successor Agency to report the occurrence of any Listed Event, the Dissemination Agent shall provide notice thereof to the MSRB in accordance with Section 5(c) hereof. In the event the Dissemination Agent shall obtain actual knowledge of the occurrence of any of the Listed Events, the Dissemination Agent shall, immediately after obtaining such knowledge, contact the Disclosure Representative, inform such person of the event, and request that the Successor Agency promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Event shall mean actual knowledge by the Dissemination Agent, if other than the Trustee, and if the Dissemination Agent is the Trustee, then by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Dissemination Agent shall have no responsibility to determine the materiality, if applicable, of any of the Listed Events.

(c) The Successor Agency, or the Dissemination Agent, if the Dissemination Agent has been instructed by the Successor Agency to report the occurrence of a Listed Event, shall file a notice of such occurrence with the MSRB in a timely manner not more than ten business days after the occurrence of the event.

**SECTION 6. Termination of Reporting Obligation.** The Successor Agency’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Successor 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 Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Successor Agency pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be Willdan Financial Services. The Dissemination Agent may resign by providing thirty days’ written notice to the Successor Agency and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Successor Agency. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Successor Agency in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Successor Agency and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Successor Agency) provided, the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Successor Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Successor Agency.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. If the Successor 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 Agreement, the Successor Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Default. In the event of a failure of the Successor Agency to comply with any provision of this Disclosure Agreement, the Trustee (at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), 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 Successor Agency or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Successor Agency or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture pertaining to the Trustee is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Successor Agency agrees to indemnify and save the Dissemination Agent and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they 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 or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, the Bondholders, or any other party. Neither the Trustee nor the Dissemination Agent shall 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 this Disclosure Agreement. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Successor Agency: Successor Agency to the La Quinta  
Redevelopment Agency  
78-495 Calle Tampico  
La Quinta, CA 92253  
Attn: Executive Director  
Phone: (760) 777-7030

To the Dissemination Agent: Willdan Financial Services  
27368 Via Industria, Suite 110  
Temecula, California 92590  
Attn: Disclosure Group  
Phone: (951) 587-3500

To the Trustee: U.S. Bank, National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attention: Corporate Trust Services  
Phone: (213) 615-6047

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Successor Agency, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SUCCESSOR AGENCY TO THE LA QUINTA  
REDEVELOPMENT AGENCY

By \_\_\_\_\_  
Executive Director

WILLDAN FINANCIAL SERVICES,  
as Dissemination Agent

By \_\_\_\_\_  
Authorized Representative

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Party: Successor Agency to La Quinta Redevelopment Agency

Name of Bond Issue: Successor Agency to La Quinta Redevelopment Agency, Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A

Date of Issuance: \_\_\_\_\_, 2016

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of [Closing Date], 2016, with respect to the Bonds. [The Successor Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated:

WILLDAN FINANCIAL SERVICES., on behalf of the  
Successor Agency

cc: Successor Agency

**APPENDIX E**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR  
FISCAL YEAR ENDED JUNE 30, 2015 (EXCLUDING SUPPLEMENTARY INFORMATION)**

**APPENDIX F**  
**FINANCIAL ADVISOR'S REPORT**



**APPENDIX G**

**SUPPLEMENTAL INFORMATION — THE CITY OF LA QUINTA**

*The following information concerning the City of La Quinta (the “City”) and surrounding areas is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, the State or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable therefor.*

**General Background**

For centuries before Columbus discovered America, the area which is now La Quinta was the winter home of the Cahuilla Indians. The history of modern La Quinta began with the construction of the La Quinta Hotel in 1926, and La Quinta became a retreat for discriminating seclusion-seekers from Hollywood and around the world. It was incorporated as a City in 1982 encompassing an area of 18.36 square miles and a population of approximately 4,500, and today encompasses an area of approximately 35.31 square miles, with a population of approximately 39,977. Surrounded by the Santa Rosa Mountains, La Quinta is home to the PGA West Golf Resort. The Coachella Valley attracts a high-end market of over 2 million tourists each year. As a year-round multi-recreational resort community, it attracts golf and tennis enthusiasts from all over the world.

**Population**

The following table sets forth population estimates for the City of La Quinta, the County of Riverside and the State of California for the past seven years:

**CITY OF LA QUINTA  
ESTIMATED POPULATION  
(As of January 1)**

<b>Year (January 1)</b>	<b>City of La Quinta</b>	<b>Riverside County</b>	<b>State of California</b>
2010 <sup>(1)</sup>	37,467	2,189,641	37,253,956
2011	37,784	2,212,874	37,536,835
2012	38,100	2,239,715	37,881,357
2013	38,156	2,266,549	38,239,207
2014	38,720	2,291,093	38,567,459
2015	39,311	2,317,924	38,907,642
2016	39,977	2,347,828	39,255,883

Source: State of California Department of Finance, 2010 Benchmark

<sup>(1)</sup> As of April 1, 2010

**Location**

Located in the eastern portion of the County known as the Coachella Valley, La Quinta is 20 miles from Palm Springs and 127 miles from Los Angeles. The City motto is “The Gem of the Desert.”

**Climate**

**CITY OF LA QUINTA  
Climate**

<i>Period</i>	<i>Average Temperature</i>		<i>Precipitation</i>
	<i>Min.</i>	<i>Max.</i>	
January	44.6	71.9	0.56
February	48.0	75.3	0.64
March	54.8	81.3	0.43
April	60.7	87.5	0.05
May	67.7	95.7	0.07
June	74.2	103.1	0.01
July	80.3	107.3	0.10
August	80.3	106.6	0.54
September	74.0	102.0	0.04
October	63.7	91.9	0.26
November	51.8	79.6	0.18
December	44.2	71.0	0.62
Annual	62.1	89.5	3.44

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Source: [ncdc.noaa.gov](http://ncdc.noaa.gov)

**City Government and Administration**

The City of La Quinta was originally incorporated on May 1, 1982 and became a charter city in November, 1996 with a Council/Manager form of government. The City Council is comprised of a Mayor and four Council Members. The Mayor is elected for a two-year term and the Council Members are elected for four-year terms.

**Budgetary Policies**

The City Manager submits a preliminary budget to the City Council before each fiscal year. A public meeting is then held prior to July 1 to receive public comment. A budget is required to be adopted before the beginning of the fiscal year. Amendments to the budget or budget transfers between funds require Council approval. Budget transfers within funds require City Manager approval. The City also maintains an encumbrance system as one budget technique. All fiscal year end appropriations and encumbrances lapse at year end unless specifically approved by the Council for inclusion in the following year's appropriations.

Each Department receives a monthly budget-to-actual expenditure report. In addition, each department can access on-line budgetary data from the financial information system available throughout the City-wide computer network.

The City Council is also given an Executive level Summary of Revenues and Expenditures on a monthly basis and also reviews the Capital Improvement Program each April.

## **Economic Growth and Trends**

La Quinta includes the La Quinta Resort, several world class golf resorts, quality neighborhoods of single family and multi-dwelling homes and light commercial industries. Outdoor recreation activities such as hiking and camping are also enjoyed in the area. Community and neighborhood parks offer swimming, picnicking, sports fields, tot lots, recreation programs, and community events. There are several hiking trails leading into the majestic Santa Rosa Mountains. La Quinta's active arts community plays host to the renowned annual La Quinta Arts Festival, which was ranked number 1 in the nation for 2013, 2014, and 2015 and was ranked number 3 in 2016 by Greg Lawler's Art Fair SourceBook.

Major retail developments continue to diversify and enhance La Quinta's economic base. The Centre at La Quinta is a retail facility hosting the Walmart Super Center, Marshalls, PetSmart along with numerous other shops and restaurants. Washington Park, located along the Washington Street corridor is home to Target, Lowe's, Cost Plus World Market, Trader Joe's, Bouchee Fine Foods – who serve as the shopping center's larger tenants, along with Chase Bank and Steinmart. The Pavilion at La Quinta is a retail outlet for Bed Bath & Beyond, Henry's Market, Best Buy, Office Max and DSW Shoe Warehouse along with restaurants which include Coffee Bean & Tea Leaf, Panera Bread, and Chipotle. La Quinta Court is a spot for specialty shopping with fine restaurants and a gourmet food market. The La Quinta Professional Plaza, is home to Bank of Southern California as well as medical and professional offices. Jefferson Plaza is anchored by Home Depot, Smart & Final, I-Hop, Jack in the Box and the 99¢ Stores. One-Eleven Center is home to Stater Brothers, AAA, Kohl's, Petco, Ross, and Staples. In addition to its retail outlets, the One-Eleven Center maintains restaurants and an Am/Pm service station. Point Happy Shopping Center is home to Bank of America, Fans Plus Blinds and various restaurants. Old Town La Quinta, a 140,000 square foot commercial/retail center in the Village area and once anchored by the Hog's Breath Inn, now plays host to several locally owned dining establishments.

Centre Point, which expanded the economic diversity of the City, is a mixed-use complex, with a Homewood Suites by Hilton and Applebee's Restaurant, the Eisenhower George and Julia Argyros Health Center and a neighborhood dog park (Pioneer Park).

## **Tourism**

La Quinta is well known for its numerous championship golf courses. The City houses more than 20 championship courses with several in planning or development stages. In addition to quantity, La Quinta has some of the highest rated courses in the world of golf. Various golf tournaments, including the prestigious Humana Challenge in Partnership with the Clinton Foundation, show La Quinta internationally as a quality destination and golf resort area.

The City acquired 525 acres of previously undeveloped property adjacent to Jefferson Street and Avenue 52. SilverRock Resort is a 525-acre parcel of land situated at the base of the majestic Santa Rosa Mountains. Often referred to as "the last great piece of land in the Coachella Valley," SilverRock Resort was a former working cattle ranch and vacation retreat of Home Savings and Loan founder, Howard Ahmanson. In 2002, the Prior Agency purchased the land to create a tournament golf course, which is open to the public, and a luxury resort/retail venue that would generate long-term, recurring revenue for the City. Two years of intense master planning, design, and construction resulted in the Arnold Palmer designed "Arnold Palmer Classic Course at SilverRock Resort." The course was voted among the "The Top Ten New Golf Courses That You Can Play" by Golf Magazine, and has been a home course of the Bob Hope Classic since 2008.

The nationally recognized La Quinta Arts Festival attracts many visitors from around the country each year to the City of La Quinta and the Coachella Valley.

## Capital Improvements

The City plans to spend \$7.3 million in capital improvements during fiscal year 2016-17. With 13 identified projects planned or taking place, the traffic signals and street maintenance projects make up the largest portion of expenditures, costing an estimated \$3.4 million and \$2.0 million respectively. One major project budgeted for construction in fiscal year 2018-19 includes the Dune Palms Road Bridge, which is intended to replace the existing low-water crossing at the Coachella Valley Storm Water Channel with an all-weather access. This will enable emergency vehicles, motorists, pedestrians, and bicyclists to travel the corridor on a reliable route.

The City's Capital Improvement Program (CIP) continues to meet the demands of growth. This major commitment in infrastructure will continue to provide for both the current and future growth that the City has experienced.

## Commercial Activity

The following table demonstrates the growth in the number of business permits and taxable transactions in the City of La Quinta:

**CITY OF LA QUINTA  
TAXABLE TRANSACTIONS  
(in thousands)**

Year	<i>Retail Stores</i>		<i>Total Outlets</i>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2002	246	309,182	531	372,039
2003	277	376,866	580	447,877
2004	336	510,913	670	584,039
2005	403	603,110	755	683,476
2006	448	667,010	862	754,063
2007	507	735,647	1,070	826,488
2008	561	644,113	1,151	731,831
2009	789	552,468	1,106	623,012
2010	831	563,456	1,161	633,545
2011	891	609,077	1,228	680,382
2012	937	638,047	1,294	710,127
2013	920	654,275	1,254	731,325
2014 <sup>(1)</sup>	933	132,802	1,274	143,443

<sup>(1)</sup> Through third quarter of 2014.  
Source: State Board of Equalization.

**Building Activity**

The following presents the residential building permit valuations for the City of La Quinta for the calendar years 2011 through 2015:

**RESIDENTIAL BUILDING PERMIT VALUATIONS  
CITY OF LA QUINTA  
(Valuation in 000)**

	2011	2012	2013	2014	2015
<b>Residential</b>					
Single Unit	\$ 15,480,731	\$ 21,623,018	\$ 30,038,430	\$ 58,222,010	\$43,498,590
Multiple Units	<u>0</u>	<u>11,948,060</u>	<u>0</u>	<u>6,166,376</u>	<u>2,710,074</u>
Total	\$ 15,480,731	\$ 33,571,078	\$ 30,038,430	\$ 64,388,386	\$ 46,208,664
<b>Residential</b>					
<b>No. of New Dwelling Units</b>					
Single Unit	41	67	117	177	155
Multiple Units	<u>0</u>	<u>176</u>	<u>0</u>	<u>103</u>	<u>21</u>
Total Units	41	243	117	280	176

Source: Construction Industry Research Board (CIRB).

**City's Taxable Valuation**

Taxable valuation within the City is established by the Riverside County Assessor, except for utility and other unitary property, which is assessed by the State Board of Equalization. Article XIII A of the State Constitution provides that, beginning with the 1978-79 fiscal year, property taxes in California are limited to one percent of full cash value, except for taxes to pay debt service on indebtedness approved by the voters prior to July 1, 1978. Article XIII A defines full cash value as the County Assessor's valuation of real property as shown on the 1975-76 tax bill ("base year"), except in the case of newly-constructed property or property which undergoes a change in ownership. Yearly taxable value increases following the base year are limited to the growth in the consumer price index, but may not exceed two percent annually.

For assessment and collection purposes, property is classified either as "secured" or "unsecured", and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll".

The assessed valuation of property within the City since fiscal year 2004-05 is summarized below.

**CITY OF LA QUINTA  
ASSESSED VALUATIONS**

<b>Fiscal Year</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Less: Exemptions</b>	<b>Taxable Assessed Value</b>
2004-05	5,412,382,710	40,940,877	(95,420,075)	5,357,903,512
2005-06	6,289,493,552	44,014,548	(113,037,003)	6,220,471,097
2006-07	7,856,383,375	72,554,357	(115,071,146)	7,813,866,586
2007-08	9,986,151,525	88,740,840	(99,245,721)	9,975,646,644
2008-09	11,854,669,637	101,433,002	(89,688,505)	11,866,414,134
2009-10	12,410,626,893	113,185,065	(107,777,195)	12,416,034,763
2010-11	11,742,665,902	121,272,880	(110,752,890)	11,753,185,892
2011-12	10,913,083,169	118,972,704	(161,265,140)	10,870,790,733
2012-13	10,400,897,792	107,421,771	(176,887,605)	10,331,431,958
2013-14	10,345,371,473	108,971,608	(179,344,969)	10,274,998,112
2014-15	10,796,022,466	111,330,270	(180,600,133)	10,726,752,603
2015-16	11,454,574,255	108,773,942	(194,001,905)	11,369,346,292

Source: City of La Quinta Comprehensive Annual Financial Report for Year Ended June 30, 2015.

**General Plan/Zoning**

The land within the City of La Quinta is approximately zoned as follows:

Industrial:	0 acres
Institutional:	120 acres
Commercial:	1,240 acres
Residential:	12,320 acres

**Industry**

La Quinta is home to the first Wal-Mart Supercenter in California. Additionally, the City's downtown district, known as "The Village," includes developments such as Old Town and Plaza calle Tampico. Additionally, The Village contains many professional offices, the City museum, boutique stores, and several restaurants.

**Labor Force**

The following listing sets forth the top employers in the City as of June 30, 2015:

**CITY OF LA QUINTA  
Major Employers and Number of Employees**

<b>Employer</b>	<b>Approximate No. of Employees</b>	<b>Type of Business</b>
Desert Sands Unified School District	1,400	School District
La Quinta Resort & Club	1,233	Hotel & Golf Resort
PGA West	1,214	Golf Resort
Wal-Mart Super Center	360	Retail
Costco	246	Retail
Home Depot	181	Retail
Lowe's Home Improvement	152	Retail
Imperial Irrigation District	142	Utility Company
Rancho La Quinta	128	Golf Resort
Stater Brothers	120	Grocery Store

Source: City of La Quinta.

**Employment and Industry**

Employment data is not separately reported on an annual basis for the City but is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area, which includes Riverside and San Bernardino Counties. Set forth in the table on the following page is the employment data for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area for 2011 to 2015.

**Riverside-San Bernardino-Ontario Metropolitan Statistical Area  
Industry Employment & Labor Force - By Annual Average\***

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Farm	14,900	15,000	14,500	14,400	15,100
Total Nonfarm	1,154,500	1,185,200	1,233,300	1,289,300	1,347,400
Total Private	927,000	960,600	1,008,100	1,060,500	1,114,000
Goods Producing	145,200	150,500	158,600	170,200	182,100
Mining, Logging, and Construction	60,100	63,800	71,200	78,900	86,600
Manufacturing	85,100	86,700	87,300	91,300	95,600
Service Providing	1,009,300	1,034,700	1,074,700	1,119,100	1,165,200
Trade, Transportation & Utilities	275,600	287,600	299,700	314,900	332,500
Transportation, Warehousing & Utilities	67,900	73,000	78,400	86,600	97,300
Information	12,200	11,700	11,500	11,300	11,300
Financial Activities	39,500	40,200	41,300	42,300	43,200
Professional & Business Services	126,000	127,500	132,400	139,300	144,400
Professional & Business Services	126,000	127,500	132,400	139,300	144,400
Educational & Health Services	165,400	173,600	187,600	194,800	205,000
Leisure & Hospitality	124,000	129,400	135,900	144,800	151,500
Other Services	39,100	40,100	41,100	43,000	44,000
Government	227,500	224,600	225,200	228,800	233,400
<b>Total, All Industries</b>	<b>1,169,400</b>	<b>1,200,200</b>	<b>1,247,800</b>	<b>1,303,700</b>	<b>1,362,400</b>
<b>Total Civilian Labor Force</b>	<b>1,866,200</b>	<b>1,882,900</b>	<b>1,897,000</b>	<b>1,919,900</b>	<b>1,961,800</b>
<b>Total Unemployment</b>	<b>243,100</b>	<b>217,300</b>	<b>186,500</b>	<b>156,600</b>	<b>129,500</b>
<b>Unemployment Rate</b>	<b>13.0%</b>	<b>11.5%</b>	<b>9.8%</b>	<b>8.2%</b>	<b>6.6%</b>

\*Using a March 2015 Benchmark

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



## Direct and Overlapping Debt

[TO BE UPDATED]

A statement of the City's direct and overlapping debt is as follows:

2014-15 Assessed Valuation: \$11,369,346,292

	Total Debt Outstanding 6/30/15	% Applicable <sup>(1)</sup>	City's Share of Debt 6/30/15
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Desert Community College District	\$308,619,492	16.791%	\$ 51,820,299
Coachella Valley Unified School District	178,113,759	53.135	94,640,746
Desert Sands Unified School District	267,444,474	20.229	54,101,343
Desert Sands Unified School District Community Facilities District No. 1	1,295,000	88.912	1,151,410
City of La Quinta 1915 Act Bonds	170,000	100.000	170,000
Coachella Valley Water District Assessment District No. 68	<u>1,620,000</u>	86.122	<u>1,395,176</u>
TOTAL OVERLAPPING DEBT REPAID WITH PROPERTY TAXES	\$757,262,725		\$ 203,278,974
<b>OVERLAPPING OTHER DEBT INCLUDING CERTIFICATES OF PARTICIPATION (COP)</b>			
Riverside County General Fund Obligations	\$961,952,082	5.062%	\$ 48,694,014
Riverside County Pension Obligations	320,470,000	5.062	16,222,191
Riverside County Board of Education Certificates of Participation	1,835,000	5.062	92,888
Coachella Valley Unified School District Certificates of Participation	42,435,000	53.135	22,547,837
Coachella Valley Unified School District Certificates of Participation <sup>2</sup>	61,360,000	20.229	12,412,514
Coachella Valley Recreation and Park District Certificates of Participation	1,652,264	26.552	438,709
<b>City of La Quinta General Fund Obligations</b>	<b>4,545,146</b>	<b>100.000</b>	<b>4,545,146</b>
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 308,232,273
<b>TOTAL DIRECT DEBT</b>			<b>\$ 4,545,146</b>
TOTAL OVERLAPPING OTHER DEBT OUTSTANDING			\$1,389,704,346
TOTAL OVERLAPPING DEBT			\$ 303,687,127

Ratios to 2012-13 Assessed Valuation:

Total Overlapping Tax and Assessment Debt .....	1.79%
<b>Total Direct Debt (\$4,545,146) .....</b>	<b>0.04%</b>
Total Direct and Overlapping Debt .....	2.70%
Total Overlapping Debt .....	2.67%

<sup>(1)</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

Source: City of La Quinta Comprehensive Annual Financial Report for Year Ended June 30, 2015.

## **Utilities**

The main utility providers in the City are as follows:

Electricity:	Imperial Irrigation District
Gas:	Sempra Energy
Telephone:	Verizon
Water:	Coachella Valley Water District
Sewer Service:	Coachella Valley Water District

## **Transportation**

Access to job opportunities in Riverside County, San Bernardino County, Orange County and Los Angeles County has been one of the major factors in Riverside County's employment and population growth. Several major freeways and highways provide access between Riverside County and all parts of Southern California. U.S. Highways 10 and 60 extend in an east-west direction through the northern portion of the County, Inrastate Highway 91 extends in an east-west direction through the central portion of the county until connecting with U.S. Highway 15, and U.S. Highways 15 and 215 extend in a north-south direction through the central portion of the County, each linking the major cities in the County to other parts of the County and to the Los Angeles, San Bernardino and Orange metropolitan areas and to San Diego County.

Local bus service is provided by Sunline Transit and by Greyhound Bus Lines. Passenger service is also provided by AMTRAK, which makes train trips daily each way through the County. Southern Pacific Railroad and Santa Fe Railway handle most of the freight movement in the County.

The County seat in the City of Riverside is within a 1-hour drive of La Quinta. It is a 1-1/2 hour drive to the Ontario Airport and a 3 hour drive to LAX and Orange County.

Numerous major truck lines serve the City of La Quinta, making available overnight delivery service to major California cities.

## **Education**

The educational needs of La Quinta are met by four elementary schools, three middle schools, one high school, and one alternative school, all a part of the Desert Sands Unified School District. Additionally, the Coachella Valley Unified School District provides schools at all levels for other areas of La Quinta. Post-secondary education is served by College of the Desert, Chapman University, and California State University, San Bernardino Extension.

## **Community Services**

La Quinta has two Immediate Care facilities, including the Eisenhower George and Julia Argyros Health Center and a senior citizens' center within the City limits, with approved plans for expanding medical services to the City. Other nearby hospitals are located in Rancho Mirage, Indio and Palm Springs.

The City is served by several churches, numerous radio stations and local TV channels, one TV cable system, and a variety of full-service banks. Recreational facilities include major resort hotels, several country clubs, several golf courses and Lake Cahuilla Regional Park. The La Quinta Arts Festival is held annually in March. The Bob Hope Classic is a nationally acclaimed golfing event which is held yearly in the City.

**APPENDIX H**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

[Click here to return to Agenda](#)

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of \_\_\_\_\_, 2016, is executed and delivered by the Successor Agency to the La Quinta Redevelopment Agency (the “Successor Agency”) and Willdan Financial Services as dissemination agent (the “Dissemination Agent”), in connection with the issuance of the \$\_\_\_\_\_ Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A (the “Bonds”). The Bonds are being issued pursuant to provisions of an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2016 (the “Indenture”), by and between the Successor Agency and U.S. Bank National Association, as trustee (the “Trustee”). The Successor Agency and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Successor Agency and the Dissemination Agent for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report or any addendum thereto provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the City Manager of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Trustee and Dissemination Agent from time to time.

“Dissemination Agent” shall mean Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be

made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“State” shall mean the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than March 31 of each year, commencing March 31, 2017, provide to the MSRB and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. 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 Agreement.

(b) Not later than fifteen days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Successor Agency shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Successor Agency of such failure to receive the Annual Report. The Successor 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 Successor Agency and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall, to the extent information is known to it, file a report with the Successor Agency and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The Successor Agency’s Annual Report shall contain or include by reference the following (unless otherwise stated, such information shall be as of the end of the most recent Fiscal Year and shall be with respect to the Successor Agency):

(i) A postaudit of the financial transactions and records of the Successor Agency for the Fiscal Year to be made by an Independent Certified Public Accountant appointed by the Successor Agency 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 Successor Agency’s postaudit is not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain an unaudited statement of financial transactions

and records of the Successor Agency in a format required by Section 34177(n) of the Dissolution Act, and the postaudit shall be filed in the same manner as the Annual Report when they become available.

(ii) Financial information and operating data relating to the Project Areas contained in the Official Statement for the Bonds under the headings “THE PROJECT AREAS – Largest Local Secured Taxpayers,” and “PLEDGED TAX REVENUES – Schedule of Historical Pledged Tax Revenues.”

(iii) An update of the debt service coverage table shown in the Official Statement using the most recent Fiscal Year.

(iv) A listing of the amount of each distribution from the Riverside County Auditor-Controller of property tax revenues from the Redevelopment Property Tax Trust Fund received by the Successor Agency for its enforceable obligations for the most recent Fiscal Year, as reasonably available 15 days prior to the due date of each Annual Report.

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 Successor Agency or related public entities, which are available to the public on the MSRB’s EMMA Website or filed with the SEC.

**SECTION 5. Reporting of Listed Events.**

(a) Pursuant to the provisions of this section, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the Bonds, the Successor Agency shall give, or cause to be given by so notifying the Dissemination Agent in writing and instructing the Dissemination Agent to give, notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

1. principal or interest payment delinquencies;
2. non-payment related defaults, if material;
3. modifications to the rights of the Bondholders, if material;
4. optional, contingent or unscheduled calls, if material, and tender offers;
5. defeasances;
6. rating changes;
7. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on the credit enhancements reflecting financial difficulties;
10. substitution of the credit or liquidity providers or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds, if material;



12. bankruptcy, insolvency, receivership or similar proceedings of the Successor Agency, which shall occur as described below;
13. appointment of a successor or additional trustee or the change of name of a trustee, if material, or;
14. the consummation of a merger, consolidation, or acquisition involving the Successor Agency or the sale of all or substantially all of the assets of the Successor Agency other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

For these purposes, any event described in item 12 of this Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

(b) Upon receipt of notice from the Successor Agency and instruction by the Successor Agency to report the occurrence of any Listed Event, the Dissemination Agent shall provide notice thereof to the MSRB in accordance with Section 5(c) hereof. In the event the Dissemination Agent shall obtain actual knowledge of the occurrence of any of the Listed Events, the Dissemination Agent shall, immediately after obtaining such knowledge, contact the Disclosure Representative, inform such person of the event, and request that the Successor Agency promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Event shall mean actual knowledge by the Dissemination Agent, if other than the Trustee, and if the Dissemination Agent is the Trustee, then by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Dissemination Agent shall have no responsibility to determine the materiality, if applicable, of any of the Listed Events.

(c) The Successor Agency, or the Dissemination Agent, if the Dissemination Agent has been instructed by the Successor Agency to report the occurrence of a Listed Event, shall file a notice of such occurrence with the MSRB in a timely manner not more than ten business days after the occurrence of the event.

**SECTION 6. Termination of Reporting Obligation.** The Successor Agency’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Successor 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 Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Successor Agency pursuant to this Disclosure Agreement. The initial

Dissemination Agent shall be Willdan Financial Services. The Dissemination Agent may resign by providing thirty days' written notice to the Successor Agency and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Successor Agency. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Successor Agency in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Successor Agency and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Successor Agency) provided, the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Successor Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Successor Agency.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. If the Successor 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 Agreement, the Successor Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Default. In the event of a failure of the Successor Agency to comply with any provision of this Disclosure Agreement, the Trustee (at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), 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 Successor Agency or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Successor Agency or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture pertaining to the Trustee is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Successor Agency agrees to indemnify and save the Dissemination Agent and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they 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 or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, the Bondholders, or any other party. Neither the Trustee nor the Dissemination Agent shall 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 this Disclosure Agreement. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Successor Agency: Successor Agency to the La Quinta  
Redevelopment Agency  
78-495 Calle Tampico  
La Quinta, CA 92253  
Attn: Executive Director  
Phone: (760) 777-7030

To the Dissemination Agent: Willdan Financial Services  
27368 Via Industria, Suite 110  
Temecula, California 92590  
Attn: Disclosure Group  
Phone: (951) 587-3500

To the Trustee: U.S. Bank, National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attention: Corporate Trust Services  
Phone: (213) 615-6047

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Successor Agency, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SUCCESSOR AGENCY TO THE LA QUINTA  
REDEVELOPMENT AGENCY

By \_\_\_\_\_  
Executive Director

WILLDAN FINANCIAL SERVICES,  
as Dissemination Agent

By \_\_\_\_\_  
Authorized Representative

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Party: Successor Agency to La Quinta Redevelopment Agency

Name of Bond Issue: Successor Agency to La Quinta Redevelopment Agency, Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A

Date of Issuance: \_\_\_\_\_, 2016

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of [Closing Date], 2016, with respect to the Bonds. [The Successor Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated:

WILLDAN FINANCIAL SERVICES., on behalf of the  
Successor Agency

cc: Successor Agency

**Attachment 4**

**FORM OF ESCROW AGREEMENT**

THIS ESCROW AGREEMENT, dated as of June 1, 2016 (this “Agreement”), is by and among the Successor Agency to the La Quinta Redevelopment Agency (the “Successor Agency”), the La Quinta Financing Authority (the “Authority”) and U.S. Bank National Association, acting in its capacity as escrow bank (the “Escrow Bank”) pursuant to this Agreement;

**WITNESSETH:**

WHEREAS, the La Quinta Redevelopment Agency (the “Prior Agency”) was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the “Law”), and the powers of the La Quinta Redevelopment Agency included the power to issue Bonds for any of its corporate purposes; and

WHEREAS, a Redevelopment Plan for a redevelopment project known and designated as the “La Quinta Redevelopment Project Area No. 1” has been adopted and approved by Ordinance No. 43 of the City of La Quinta on November 29, 1983, and all requirements of the Law for and precedent to the adoption and approval of the Project Area No. 1 Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, a Redevelopment Plan for a redevelopment project known and designated as the “La Quinta Redevelopment Project No. Area 2” has been adopted and approved by Ordinance No. 139 of the City of La Quinta on May 16, 1989, and all requirements of the Law for and precedent to the adoption and approval of the Project Area No. 2 Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the Prior Agency has previously issued \$6,000,000 La Quinta Redevelopment Agency, La Quinta Redevelopment Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011 (the “2011 Project Area No. 2 Taxable Bonds”); and

WHEREAS, the Authority on behalf of the Prior Agency has previously issued \$28,850,000 La Quinta Financing Authority, Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the “2011 Taxable Housing Bonds”) and loaned the proceeds to the Prior Agency pursuant to the terms of a loan agreement dated February 3, 2004 and a Second Supplemental Indenture, dated as of March 1, 2011 (the “2011 Loan Obligation”); and

WHEREAS, the Successor Agency has determined that it is cost effective and efficient to refund and defease, in their entirety, the 2011 Project Area No. 2 Taxable Bonds and the 2011 Taxable Housing Bonds, (collectively, the “Refunded Bonds”) on a subordinate basis to the \$65,600,000 Successor Agency to the Las Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas Nos. 1 and 2, Tax Allocation Refunding Bonds, 2014 Series A (the “2014 Bonds “Bonds” or the “Senior Bonds”) and on a parity basis with the \$97,190,000

Successor Agency to the La Quinta Redevelopment Agency La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A (the “2013 Series A Bonds”) and the \$23,055,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas Nos. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B (the “2013 Series B Bonds”) (collectively, the “2013 Series A Bonds and the 2013 Series B Bonds, the “2013 Bonds” or the “Parity Bonds”); and

WHEREAS, the Successor Agency deems it necessary and proper to also issue taxable tax allocation refunding bonds to refund and defease the Refunded Bonds; and

WHEREAS, for the corporate purposes of the Successor Agency, the Successor Agency deems it necessary to issue at this time tax allocation refunding bonds in a principal amount of not to exceed \_\_\_\_\_ million dollars (\$\_\_\_\_\_) (the “Bonds”), and to irrevocably set aside a portion of the proceeds of such Bonds in a separate segregated trust fund which will be used to refund the outstanding Refunded Bonds of the Prior Agency, to pay costs in connection with the issuance of the Bonds, and to make certain other deposits as required by the Indenture (defined herein); and

WHEREAS, Assembly Bill AB X1 26, effective June 29, 2011, together with Assembly Bill 1484 (“AB 1484”) (collectively, the “Dissolution Act”) resulted in the La Quinta Redevelopment Agency being dissolved as of February 1, 2012; and

WHEREAS, the authority, rights, powers, assets, duties and obligations of the Prior Agency were transferred on February 1, 2012 to the Successor Agency; and

WHEREAS, AB1484 specifically authorizes the issuance of refunding bonds by the Successor Agency to refund the bonds or other indebtedness of the Prior Agency to provide savings to the Successor Agency, provided that (A) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds shall not exceed the total remaining interest cost to maturity on the bonds to be refunded plus the remaining principal of the bonds to be refunded, and (B) the principal amount of the refunding bonds shall not exceed the amount required to defease the refunded bonds, to establish customary debt service reserves, and to pay related costs of issuance; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Successor Agency wishes to approve the issuance of the Bonds and authorize the execution and delivery of the Second Supplemental Indenture of Trust; and

WHEREAS, pursuant to Section 34179 of the Law, an oversight board (the “Oversight Board”) has been established for the Successor Agency and the Successor Agency has requested that the Oversight Board approve the issuance of the Bonds by the Successor Agency, as authorized by Section 34177.5(f) of the Law; and

WHEREAS, the Successor Agency hereby certifies that all acts and proceedings required by law necessary to make the Bonds, when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor

Agency, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken;

WHEREAS, the Successor Agency now desires pursuant to this Second Supplemental Indenture, to issue its La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A (the “Series A Bonds”) for the purpose of refunding the Refunded Taxable Bonds, to fund a reserve account and pay costs of issuance; and

WHEREAS, in order to provide for the authentication and delivery of the Series A Bonds, to establish and declare the terms and conditions upon which the Series A Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Successor Agency and the Trustee have duly authorized the execution and delivery of this Second Supplemental Indenture; and

WHEREAS, the Successor Agency hereby certifies that all acts and proceedings required by law necessary to make the Series A Bonds, when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor Agency, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Successor Agency, the Authority and the Escrow Bank agree as follows:

SECTION 1. Deposit of Moneys.

(a) The Successor Agency hereby deposits with the Escrow Bank \$\_\_\_\_\_ of Bond Proceeds and \$\_\_\_\_\_ from the Refunded Bonds Funds and Accounts to be held in irrevocable escrow by the Escrow Bank separate and apart from other funds of the Successor Agency and the Escrow Bank in a fund hereby created and established and to be known as the “Escrow Fund”, and to be applied solely as provided in this Agreement. Such moneys shall be invested in State and Local Government Series as provided in Schedule C herein.

(b) The Escrow Bank hereby acknowledges receipt of the written opinion of \_\_\_\_\_, a firm of independent public accountants, dated \_\_\_\_\_, 2016, relating to the sufficiency of the cash deposited pursuant hereto to defease the Refunded Bonds (the “Verification Report”), and the opinion of Rutan & Tucker, LLP, dated \_\_\_\_\_, 2016, relating to this Agreement.

SECTION 2. Use and Investment of Moneys. The Escrow Bank acknowledges receipt of the moneys described in Section 1 and agrees:

(a) such moneys in an amount equal to \$\_\_\_\_\_ in SLGS Time Deposits shall be held for the purpose of defeasing the Refunded Bonds; and

(b) to make the payments required under Section 3(a) hereof at the times set forth in Section 3(a) hereof.



SECTION 3. Payment of Refunded Bonds.

(a) Payment. The Escrow Bank shall transfer from the Escrow Fund to the paying agent for the Refunded Bonds (the “Paying Agent”) amounts sufficient to pay the interest on the Refunded Bonds due on September 1, 2016 and the redemption of the Refunded Bonds on September 1, 2016 as shown on Schedule A. Such transfers shall constitute the respective payments of the principal of and interest on the Refunded Bonds and redemption price due from the Successor Agency.

(b) Unclaimed Moneys. Any moneys which remain unclaimed for two years after the date such moneys have become due and payable hereunder shall be repaid by the Escrow Bank to the Successor Agency and deposited by the Successor Agency in the Debt Service Fund relating to the Refunded Bonds. Any moneys remaining in the Escrow Fund established hereunder after September 2, 2016 (aside from unclaimed monies) of the Refunded Bonds which are in excess of the amount needed to pay owners of the Refunded Bonds payments of principal and interest and redemption premium, if any, with respect to the Refunded Bonds or to pay any amounts owed to the Escrow Bank shall be immediately transferred by the Escrow Bank to the Successor Agency and deposited by the Successor Agency in the Debt Service Fund relating to the Bonds.

(c) Priority of Payments. The holders of the Refunded Bonds shall have a first lien on the moneys in the Escrow Fund which are allowable and sufficient to pay the Refunded Bonds until such moneys are used and applied as provided in this Agreement, as verified by the Verification Report. Any cash or securities held in the Escrow Fund are irrevocably pledged only to the holders of the Refunded Bonds.

(d) Termination of Obligation. Upon deposit of the moneys set forth in Section 1 hereof with the Escrow Bank pursuant to the provisions of Section 1 hereof, all obligations of the Successor Agency with respect to the Refunded Bonds shall cease and terminate, except only the obligation to make payments therefor from the moneys provided for hereunder, and the owners of the Refunded Bonds shall cease to be entitled to the lien, benefit or security under the Indenture of Trust relating to the Refunded Bonds.

SECTION 4. Performance of Duties. The Escrow Bank agrees to perform the duties set forth herein.

SECTION 5. Reinvestment. Upon written direction of the Successor Agency, the Escrow Bank may reinvest any uninvested amounts held as cash under this Agreement in noncallable nonprepayable obligations which are direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America provided (i) the amounts of and dates on which the anticipated transfers from the Escrow Fund to the Paying Agent for the payment of the principal of, redemption price of, and interest on the Refunded Bonds will not be diminished or postponed thereby, (ii) the Escrow Bank shall receive the unqualified opinion of nationally recognized municipal bond counsel to the effect that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the Refunded Bonds, (iii) the Escrow Bank shall receive from a firm of independent certified public

accountants a certification that, immediately after such reinvestment, the principal of and interest on obligations in the Escrow Fund will, together with other cash on deposit in the Escrow Fund available for such purposes, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest on the Refunded Bonds; and (iv) the Escrow Bank shall receive an opinion of nationally recognized bond counsel that such reinvestment is permissible under this Agreement.

SECTION 6. Indemnity. The Successor Agency hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Bank and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Bank at any time (whether or not also indemnified against the same by the Successor Agency or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of its Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, and any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Agreement; provided, however, that the Successor Agency shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Bank's respective successors, assigns, agents and employees or the breach by the Escrow Bank of the terms of this Agreement. In no event shall the Successor Agency or the Escrow Bank be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement.

SECTION 7. Responsibilities of the Escrow Bank. The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, to accomplish the refunding and defeasance of the Refunded Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Bank in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "whereas" clauses herein shall be taken as the statements of the Successor Agency and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the monies deposited to accomplish the refunding and defeasance of the Refunded Bonds or to the validity of this Agreement as to the Successor Agency and, except as otherwise provided herein, the Escrow Bank shall incur no liability with respect thereto. The Escrow Bank shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Agreement. The Escrow Bank may consult with counsel, who may or may not be counsel to the Successor Agency, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith.

Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Successor Agency. The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Bank will furnish the Successor Agency periodic cash transaction statements which include detail for all investment transactions made by the Escrow Bank hereunder.

SECTION 8. [Reserved].

SECTION 9. Irrevocable Instructions as to Notice. The Escrow Bank hereby acknowledges that upon the funding of the Escrow Fund as provided in this Agreement, the receipt of the opinions described in Section 1(b) of this Agreement and the giving of irrevocable instructions to provide notice as provided in the Irrevocable Instructions and Request to Escrow Bank attached hereto as Schedule B (constituting all of the conditions precedent to the defeasance of the Refunded Bonds), the Refunded Bonds shall be paid in accordance with the terms of the Indenture and all obligations of the Successor Agency with respect to the Refunded Bonds shall cease and terminate.

SECTION 10. Amendments. This Agreement is made for the benefit of the Successor Agency and the holders from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Bank and the Successor Agency; provided, however, but only after the receipt by the Escrow Bank of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest on the Bonds and the Refunded Bonds will not be adversely affected for federal income tax purposes, that the Successor Agency and the Escrow Bank may, without the consent of, or notice to, such holders, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Bank for the benefit of the holders of the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Bank; and (iii) to include under this Agreement additional funds, securities or properties. The Escrow Bank shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 10, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 10. In the event of any conflict with respect to the provisions of this Agreement, this Agreement shall prevail and be binding.

SECTION 11. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either (i) the date upon which the Refunded Bonds have been paid in accordance with this Agreement or (ii) the date upon which no

unclaimed moneys remain on deposit with the Escrow Bank pursuant to Section 3(b) of this Agreement.

SECTION 12. Compensation. The Escrow Bank shall receive its reasonable fees and expenses as previously agreed to; provided, however, that under no circumstances shall the Escrow Bank be entitled to any lien nor will it assert a lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Bank under this Agreement.

SECTION 13. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Successor Agency or the Escrow Bank to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 14. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 15. Governing Law. This Agreement shall be construed under the internal laws of the State of California.

SECTION 16. Holidays. 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 this Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Escrow Bank are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement, and no interest shall accrue for the period from and after such nominal date.

SECTION 17. Assignment. This Agreement shall not be assigned by the Escrow Bank or any successor thereto without the prior written consent of the Successor Agency.

SECTION 18. Standard & Poor's. The Successor Agency agrees to provide Standard & Poor's, a Division of the McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, New York 10041, prior notice of each amendment entered into pursuant to Section 10 hereof and a copy of such proposed amendment, and to forward a copy (as soon as possible) of (i) each amendment hereto entered into pursuant to Section 10 hereof, and (ii) any action relating to severability or contemplated by Section 13 hereof.

SECTION 19. Reorganization of Escrow Bank. Notwithstanding anything to the contrary contained in this Agreement, any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Bank is a party, or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business shall be

the successor to the Escrow Bank without execution or filing of any paper or any paper or further act, if such company is eligible to serve as Escrow Bank.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers this 1st day of June, 2016.

SUCCESSOR AGENCY TO THE LA  
QUINTA REDEVELOPMENT AGENCY

By: \_\_\_\_\_  
Executive Director

ATTEST:

\_\_\_\_\_  
Secretary

U.S. BANK NATIONAL ASSOCIATION, as  
Escrow Bank

By: \_\_\_\_\_  
Authorized Officer

LA QUINTA FINANCING AUTHORITY

By: \_\_\_\_\_  
Executive Director

## SCHEDULE A

### Redemption of Refunded Bonds

<u>Redemption Date</u>	<u>Principal Redeemed</u>	<u>Interest</u>	<u>Total</u>
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## SCHEDULE B

### IRREVOCABLE INSTRUCTIONS AND REQUEST TO REFUNDED BONDS TRUSTEE AND ESCROW BANK

#### WRITTEN REQUEST OF THE LA QUINTA FINANCING AUTHORITY TO U.S. BANK NATIONAL ASSOCIATION, REGARDING REDEMPTION NOTICE

##### 1. Successor Agency Certifications

In connection with the submission of this written request to U.S. Bank National Association (the “Trustee”), pursuant to the Second Supplemental Indenture of Trust dated as of June 1, 2016 (the “Refunded Bonds Indenture”), by and between the La Quinta Financing Authority (the “Authority”) and U.S. Bank National Association, the undersigned, a duly appointed officer of the Authority, hereby certifies that I have reviewed the Refunded Bonds Indenture and the sections thereof relating to the refunding and redemption of the Refunded Bonds and I have made an examination of the provisions of the Refunded Bonds Indenture and of related facts as is necessary in my opinion in connection with the submission of this written request.

##### 2. Written Request

On behalf of the Authority, I hereby inform you that the Authority has irrevocably elected and directed the Refunded Bonds Trustee to redeem on September 1, 2016 the Refunded Bonds, under the terms and conditions set forth in the Refunded Bonds Indenture, and that, upon deposit of the obligations and moneys required to be deposited by the Authority with U.S. Bank National Association (the “Escrow Bank”) pursuant to that certain Escrow Agreement dated as of June 1, 2016, among the Successor Agency to the La Quinta Redevelopment Agency (the “Successor Agency”), the Authority and the Escrow Bank and satisfaction of the requirements of the Refunded Bonds Indenture which is occurring on the date hereof, the pledge of the Pledged Tax Revenues and all other obligations of the Authority to the owners of the Refunded Bonds shall cease and terminate as provided in the Refunded Bonds Indenture. I further irrevocably instruct the Refunded Bonds Trustee, to do as follows with respect to the Refunded Bonds:

(a) To send, postage prepaid, via first class United States mail, not less than 30 nor more than 45 days prior to September 1, 2016, with respect to the Refunded Bonds, a notice of redemption to the owners of the Refunded Bonds.

(b) To send, via registered or certified mail or overnight delivery service, not less than 30 nor more than 45 days prior to September 1, 2016, with respect to the Refunded Bonds, a notice of redemption of the applicable issue of Refunded Bonds, to The Depository Trust Company, 55 Water Street, New York, New York 10041, in the form and as required by the Refunded Bonds Indenture.



LA QUINTA FINANCING AUTHORITY

By: \_\_\_\_\_  
Executive Director

Receipt acknowledged and consented to:

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

SECOND SUPPLEMENTAL INDENTURE OF TRUST

Dated as of June 1, 2016

by and between the

SUCCESSOR AGENCY TO THE  
LA QUINTA REDEVELOPMENT AGENCY

and

U.S. BANK NATIONAL ASSOCIATION  
as Trustee

Relating to

\$ \_\_\_\_\_  
Successor Agency to the  
La Quinta Redevelopment Agency  
La Quinta Redevelopment Project Areas No. 1 and 2  
Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A

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## SECOND SUPPLEMENTAL INDENTURE OF TRUST

THIS SECOND SUPPLEMENTAL INDENTURE OF TRUST (this “Second Supplemental Indenture”) is dated as of June 1, 2016, by and between the SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY, a public body corporate and politic, duly organized and existing under the laws of the State of California (the “Successor Agency”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”);

### WITNESSETH:

WHEREAS, the La Quinta Redevelopment Agency (the “Prior Agency”) was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the “Law”), and the powers of the La Quinta Redevelopment Agency included the power to issue Bonds for any of its corporate purposes; and

WHEREAS, a Redevelopment Plan for a redevelopment project known and designated as the “La Quinta Redevelopment Project Area No. 1” has been adopted and approved by Ordinance No. 43 of the City of La Quinta on November 29, 1983, and all requirements of the Law for and precedent to the adoption and approval of the Project Area No. 1 Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, a Redevelopment Plan for a redevelopment project known and designated as the “La Quinta Redevelopment Project No. Area 2” has been adopted and approved by Ordinance No. 139 of the City of La Quinta on May 16, 1989, and all requirements of the Law for and precedent to the adoption and approval of the Project Area No. 2 Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the Prior Agency has previously issued \$6,000,000 La Quinta Redevelopment Agency, La Quinta Redevelopment Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011 (the “2011 Project Area No. 2 Taxable Bonds”); and

WHEREAS, the Authority on behalf of the Prior Agency has previously issued \$28,850,000 La Quinta Financing Authority, Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the “2011 Taxable Housing Bonds”) and loaned the proceeds to the Prior Agency pursuant to the terms of a loan agreement dated February 3, 2004 and a Second Supplemental Indenture, dated as of March 1, 2011 (the “2011 Loan Obligation”); and

WHEREAS, the Successor Agency has determined that it is cost effective and efficient to refund and defease, in their entirety, the 2011 Project Area No. 2 Taxable Bonds and the 2011 Taxable Housing Bonds, (collectively, the “Refunded Bonds”) on a subordinate basis to the \$65,600,000 Successor Agency to the Las Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas Nos. 1 and 2, Tax Allocation Refunding Bonds, 2014 Series A (the “2014 Bonds “Bonds” or the “Senior Bonds”) and on a parity basis with the \$97,190,000 Successor Agency to the La Quinta Redevelopment Agency La Quinta Redevelopment Project

Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A (the “2013 Series A Bonds”) and the \$23,055,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas Nos. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B (the “2013 Series B Bonds”) (collectively, the “2013 Series A Bonds and the 2013 Series B Bonds, the “2013 Bonds” or the “Parity Bonds”); and

WHEREAS, the Successor Agency deems it necessary and proper to also issue taxable tax allocation refunding bonds to refund and defease the Refunded Bonds; and

WHEREAS, for the corporate purposes of the Successor Agency, the Successor Agency deems it necessary to issue at this time tax allocation refunding bonds in a principal amount of not to exceed \_\_\_\_\_ million dollars (\$\_\_\_\_\_) (the “Bonds”), and to irrevocably set aside a portion of the proceeds of such Bonds in a separate segregated trust fund which will be used to refund the outstanding Refunded Bonds of the Prior Agency, to pay costs in connection with the issuance of the Bonds, and to make certain other deposits as required by the Indenture (defined herein); and

WHEREAS, Assembly Bill AB X1 26, effective June 29, 2011, together with Assembly Bill 1484 (“AB 1484”) (collectively, the “Dissolution Act”) resulted in the La Quinta Redevelopment Agency being dissolved as of February 1, 2012; and

WHEREAS, the authority, rights, powers, assets, duties and obligations of the Prior Agency were transferred on February 1, 2012 to the Successor Agency; and

WHEREAS, AB1484 specifically authorizes the issuance of refunding bonds by the Successor Agency to refund the bonds or other indebtedness of the Prior Agency to provide savings to the Successor Agency, provided that (A) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds shall not exceed the total remaining interest cost to maturity on the bonds to be refunded plus the remaining principal of the bonds to be refunded, and (B) the principal amount of the refunding bonds shall not exceed the amount required to defease the refunded bonds, to establish customary debt service reserves, and to pay related costs of issuance; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Successor Agency wishes to approve the issuance of the Bonds and authorize the execution and delivery of the Second Supplemental Indenture of Trust; and

WHEREAS, pursuant to Section 34179 of the Law, an oversight board (the “Oversight Board”) has been established for the Successor Agency and the Successor Agency has requested that the Oversight Board approve the issuance of the Bonds by the Successor Agency, as authorized by Section 34177.5(f) of the Law; and

WHEREAS, the Successor Agency hereby certifies that all acts and proceedings required by law necessary to make the Bonds, when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor

Agency, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken;

WHEREAS, the Successor Agency now desires pursuant to this Second Supplemental Indenture, to issue its La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A (the “Series A Bonds”) for the purpose of refunding the Refunded Taxable Bonds, to fund a reserve account and pay costs of issuance; and

WHEREAS, in order to provide for the authentication and delivery of the Series A Bonds, to establish and declare the terms and conditions upon which the Series A Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Successor Agency and the Trustee have duly authorized the execution and delivery of this Second Supplemental Indenture; and

WHEREAS, the Successor Agency hereby certifies that all acts and proceedings required by law necessary to make the Series A Bonds, when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor Agency, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

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

## ARTICLE XVI

### DETERMINATIONS; DEFINITIONS

Section 16.1 Findings and Determinations. The Successor Agency has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Series A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Successor Agency is now duly empowered, pursuant to each and every requirement of law, to issue the Series A Bonds in the manner and form provided in this Second Supplemental Indenture.

Section 16.2 Definitions. The terms of this Second Supplemental Indenture, of any further Supplemental Indenture, and of any certificate, opinion or other document herein

mentioned, shall have the meanings set forth in that Indenture of Trust, dated as of December 1, 2013, by and between the Successor Agency and the Trustee (the “Indenture”).

Section 16.3 Rules of Construction. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Second Supplemental Indenture, and the words “herein”, “hereof,” “hereunder” and other words of similar import refer to this Second Supplemental Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE XVII

### AUTHORIZATION AND TERMS OF SERIES A BONDS

Section 17.1 Authorization of Series A Bonds. Series A Bonds in the aggregate principal amount of \_\_\_\_\_ Million Dollars (\$\_\_\_\_\_) are hereby authorized to be issued by the Successor Agency under and subject to the terms of this Second Supplemental Indenture and the Act. The Indenture, as modified by the First Supplemental Indenture and the Second Supplemental Indenture constitutes a continuing agreement with the Trustee for the benefit of the Owners of all of the Series A Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal and redemption premiums (if any) and the interest on all Series A Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Series A Bonds shall be designated the “Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A.”

(a) The Series A Bonds shall be and are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, subordinate to the 2014 Bonds and on parity with the 2-13 Bonds. The Series A Bonds, interest and premium, if any, thereon are not a debt of the City, the State or any of its political subdivisions (except the Successor Agency), and none of the City, the State nor any of its political subdivisions (except the Successor Agency) is liable on them. In no event shall the Series A Bonds, interest thereon and premium, if any, be payable out of any funds or properties other than those of the Successor Agency as set forth in this Second Supplemental Indenture. The Series A Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Successor Agency nor any persons executing the Series A Bonds are liable personally on the Series A Bonds by reason of their issuance.

The Series A Bonds shall be and are equally secured together with any Parity Bonds, by an irrevocable pledge of the Pledged Tax Revenues and other funds as hereinafter provided, without priority for number, maturity, date of sale, date of execution or date of delivery, except as expressly provided herein.

Nothing in this Second Supplemental Indenture shall preclude: (a) the payment of the Series A Bonds from the proceeds of refunding bonds issued pursuant to the Law, or (b) the

payment of the Series A Bonds from any legally available funds. Nothing in this Second Supplemental Indenture shall prevent the Successor Agency from making advances of its own funds, however derived, to any of the uses and purposes mentioned in this Second Supplemental Indenture.

The Successor Agency shall have the right to defease the Series A Bonds and be discharged from the lien of this Second Supplemental Indenture in accordance with the provision of Section 9.3 hereof. If the Successor Agency shall cause to be paid, or shall have made provision to pay upon maturity or upon redemption prior to maturity, to the Bondowners the principal of, premium, if any, and interest to become due on the Series A Bonds, through setting aside trust funds or setting apart in a reserve fund or special trust account created pursuant to this Second Supplemental Indenture or otherwise, or through the irrevocable segregation for that purpose in some sinking fund or other fund or trust account with a fiscal agent or otherwise, moneys sufficient therefor, including, but not limited to, interest earned or to be earned on the investment of such funds, then the lien of this Second Supplemental Indenture, including, without limitation, the pledge of the Pledged Tax Revenues, and all other rights granted hereby, shall cease, terminate and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on the Series A Bonds shall no longer be deemed to be outstanding and unpaid; provided, however, that nothing in this Second Supplemental Indenture shall require the deposit of more than such amount as may be sufficient, taking into account both the principal amount of such funds and the interest to become due on the investment thereof, to implement any refunding of the Series A Bonds.

Section 17.2 Term of Series A Bonds. The Series A Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof and the Series A Bonds shall mature on September 1, in the years and in the amounts and shall bear interest at the rate per annum as follows:

<u><i>Maturity Date</i></u>	<u><i>Principal Amount</i></u>	<u><i>Interest Rate</i></u>
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Interest on the Series A Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed on the Interest Payment Date by first class mail to such



Owner at the address of such Owner as it appears on the Registration Books; provided, however, that upon the written request of any Owner of at least \$1,000,000 in principal amount of Series A Bonds received by the Trustee at least fifteen (15) days prior to such Regular Record Date, payment shall be made by wire transfer in immediately available funds to an account in the United States designated by such Owner. Principal of and redemption premium (if any) on any Bond shall be paid upon presentation and surrender thereof, at maturity or redemption, at the Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the Series A Bonds shall be payable in lawful money of the United States of America Interest shall be calculated based upon a 360-day year of twelve thirty-day months.

Each Series A Bond shall be initially dated as of the Delivery Date and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Regular Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a Series A Bond is authenticated on or before \_\_\_\_\_, in which event it shall bear interest from the Delivery Date; provided, however, that if, as of the date of authentication of any Series A 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.

Section 17.3 Redemption of Series A Bonds.

(a) Optional Redemption. The Series A Bonds may be called before maturity and redeemed at the option of the Successor Agency, in whole or in part, from the proceeds of refunding bonds or other available funds, on September 1, 20\_\_ or on any date thereafter prior to maturity. Bonds called for redemption will be redeemed at the following redemption price (expressed as a percentage of the principal amount of Series A Bonds to be redeemed) plus accrued interest to the redemption date:

<i>Redemption Date</i>	<i>Redemption Price</i>
September 1, 20__ and thereafter	100%

(b) Mandatory Sinking Account Redemption. The Series A Bonds maturing on September 1, 20\_\_, September 1, 20\_\_ and September 1, 20\_\_ will be subject to mandatory redemption in part, by lot, on September 1, 20\_\_, September 1, 20\_\_ and September 1, 20\_\_ and on each September 1 until maturity, at a redemption price equal to the principal amount thereof together with accrued interest thereon to the redemption date, without premium, from minimum sinking fund payments on hand in the Debt Service Fund in the years and amounts as follows:

Term Bonds Maturing September 1, 20\_\_

<u><i>Maturity Date</i></u>	<u><i>Principal Amount</i></u>
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Term Bonds Maturing September 1, 20\_\_

<i>Maturity Date</i>	<i>Principal Amount</i>
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Term Bonds Maturing September 1, 20\_\_

<i>Maturity Date</i>	<i>Principal Amount</i>
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(c) Purchase In Lieu of Redemption. In lieu of optional or sinking account redemption of Series A Bonds, amounts on deposit in the Redevelopment Obligation Retirement Fund (to the extent not required to be transferred to the Trustee during the current Bond Year) may also be used and withdrawn by the Successor Agency at any time for the purchase of the Series A Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Successor Agency may in its discretion determine. The par amount of any of the Series A Bonds so purchased by the Successor Agency and surrendered to the Trustee for cancellation in any twelve-month period ending on August 15, in any year will be credited towards and will reduce the principal amount of the Series A Bonds otherwise required to be redeemed on the following September 1 pursuant to this Second Supplemental Indenture. The prior written approval of the Insurer if any Bond so purchased is not cancelled upon purchase.

Section 17.4 Form of Series A Bonds. The Series A Bonds, the form of Trustee’s certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the form set forth in Exhibit C attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Second Supplemental Indenture.

Section 17.5 Execution of Series A Bonds. The Series A Bonds shall be executed on behalf of the Successor Agency by the signature of its Executive Director and the signature of its Secretary who are in office on the date of execution and delivery of this Second Supplemental Indenture or at any time thereafter. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Series A Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Series A Bonds to the purchaser. Any Series A Bond may be signed and attested on behalf of the Successor Agency by such persons as at the actual date of the execution of such Series A Bond shall be the proper officers of the Successor Agency although on the date of such Series A Bond any such person shall not have been such officer of the Successor Agency.

Only such of the Series A Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit B hereto, manually executed and dated by and in

the name of the Trustee by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Second Supplemental Indenture, and such certificate of the Trustee shall be conclusive evidence that such Series A Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Second Supplemental Indenture. In the event temporary Series A Bonds are issued pursuant to the Indenture, the temporary Series A Bonds shall bear thereon a certificate of authentication manually executed and dated by the Trustee, shall be initially registered by the Trustee, and, until so exchanged as provided under Section 2.9 of the Indenture, the temporary Series A Bonds shall be entitled to the same benefits pursuant to this Second Supplemental Indenture as definitive Series A Bonds authenticated and delivered hereunder.

## ARTICLE XVIII

### DEPOSIT AND APPLICATION OF PROCEEDS OF SERIES A BONDS; PARITY DEBT

Section 18.1 Issuance of Series A Bonds. Upon the execution and delivery of this Second Supplemental Indenture and receipt by the Successor Agency of evidence satisfactory to it of satisfaction of the conditions precedent to issuance of the Series A Bonds, the Successor Agency shall execute and deliver Series A Bonds in the aggregate principal amount of \_\_\_\_\_ Million Dollars (\$\_\_\_\_\_) to the Trustee and the Trustee shall authenticate and deliver the Series A Bonds upon the Written Request of the Successor Agency.

Section 18.2 Application of Proceeds of Series A Bonds. (a) On the Delivery Date the proceeds of sale of the Series A Bonds shall be paid to the Trustee and said amount together with moneys transferred from the Funds and Accounts held in connection with the Refunded Tax Exempt Bonds shall be applied as follows:

- (i) The Trustee shall transfer the amount of \$\_\_\_\_\_ to the Escrow Bank for deposit in the Escrow Fund pursuant to each of the Escrow Agreements relating to each of the issues of Refunded Taxable Bonds;
- (ii) The Trustee shall deposit the amount of \$\_\_\_\_\_ from Bond proceeds into the Costs of Issuance Fund.

The Trustee may establish a temporary fund or account in its records to facilitate and record such deposits and transfers.

Moneys deposited in the Escrow Bank and Escrow Funds pursuant to Section 18.2(a) hereof shall be held by the Escrow Bank, and used to pay the principal of and interest on the Refunded Taxable Bonds in accordance with the provisions of the Escrow Agreements.

## ARTICLE XIX

### SUPPLEMENTAL NATURE OF SECOND SUPPLEMENTAL INDENTURE

Section 19.1 Modification of Indenture.

This Second Supplemental Indenture modifies and amends the Indenture as it relates to the Series A Bonds. All provisions of the Indenture not expressly modified or amended by the Second Supplemental Indenture, including, without limitation, those provisions relating to the Insurance Policy and the Reserve Policy, shall apply to Series A Bonds.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY, has caused this Second Supplemental Indenture of Trust to be signed in its name by its Chair and attested by its Secretary, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Second Supplemental Indenture to be signed in its corporate name by its officer hereunto duly authorized, all as of the day and year first above written.

SUCCESSOR AGENCY TO THE LA  
QUINTA REDEVELOPMENT AGENCY

By: \_\_\_\_\_

Its: Chair

ATTEST:

By: \_\_\_\_\_

Secretary

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_

Its: Authorized Officer

**EXHIBIT C**  
**(FORM OF BOND)**

No. R-\_\_ \$\_\_\_\_\_

**UNITED STATES OF AMERICA**  
**STATE OF CALIFORNIA**  
**(COUNTY OF RIVERSIDE)**

**SUCCESSOR AGENCY TO THE**  
**LA QUINTA REDEVELOPMENT AGENCY**  
**LA QUINTA REDEVELOPMENT PROJECT AREAS NO. 1 AND 2**  
**SUBORDINATE TAX ALLOCATION REFUNDING BONDS 2016 TAXABLE SERIES A**

**INTEREST RATE**                      **MATURITY DATE**                      **DATED DATE**                      **CUSIP**  
\_\_\_\_\_%                                      September 1, 20\_\_                      \_\_\_\_\_, 2016                      \_\_\_\_\_

**REGISTERED OWNER:**      CEDE & CO.

**PRINCIPAL SUM:**                      DOLLARS

The SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California (the "Successor Agency"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond, unless (i) this Bond is authenticated on an interest payment date, in which event it shall bear interest from such date of authentication, or (ii) this Bond is authenticated prior to an interest payment date and after the close of business on the fifteenth calendar day of the month preceding such interest payment date (a "Record Date"), in which event it shall bear interest from such interest payment date, or (iii) this Bond is authenticated on or before \_\_\_\_\_, 2016, in which event it shall bear interest from the Dated Date stated above; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond, until payment of such Principal Sum in full, at the rate per annum stated above, payable semiannually on March 1 and September 1 in each year (each an "interest payment date"), commencing September 1, 20\_\_, calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender of this Bond at the corporate trust office of U.S. Bank National Association, as trustee (the "Trustee"). Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check of the Trustee mailed on the interest payment date by first class mail to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books maintained by the Trustee at the close of business on the Record Date next preceding such interest payment date; provided, however, that upon the written request of any Registered Owner of at least \$1,000,000 in

principal amount of Bonds received by the Trustee at least fifteen (15) days prior to such Record Date, payment shall be made by wire transfer in immediately available funds to an account in the United States designated by such Owner.

This Bond is one of a duly authorized issue of Bonds of the Successor Agency designated as “Successor Agency to the La Quinta Redevelopment Agency La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A” (the “Bonds”), in an aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, maturities, interest rates or redemption and other provisions) and all issued pursuant to the provisions of the Refunding Bond Act, being Article II (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Act”), and pursuant to a resolution of the Successor Agency adopted \_\_\_\_\_, 2016, and a resolution adopted by the Oversight Board on \_\_\_\_\_, 2016, and an Indenture of Trust, dated as of December 1, 2013, entered into by and between the Successor Agency and the Trustee (the “Indenture”), as amended by the First Supplemental Indenture of Trust dated as of December 1, 2013 and the Second Supplemental Indenture of Trust, dated as of June 1, 2016, both by and between the same parties, authorizing the issuance of the Series A Bonds. Additional bonds, notes or other obligations may be issued on a parity with the Series A Bonds, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Successor Agency) and all indentures supplemental thereto and to the Law for a description of the terms on which the Series A Bonds are issued, the provisions with regard to the nature and extent of the Pledged Tax Revenues, as that term is defined in the Indenture, and the rights thereunder of the registered owners of the Series A Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Successor Agency thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds are special obligations of the Successor Agency and are payable from, and are secured by a pledge of and lien on the Pledged Tax Revenues derived by the Successor Agency from the Project Area (as that term is defined in the Indenture), on a subordinate basis to the Senior Bonds.

There has been created and will be maintained by the Successor Agency the Redevelopment Obligation Retirement Fund (as defined in the Indenture) into which Pledged Tax Revenues shall be deposited and transferred to the Trustee for deposit into the Debt Service Fund (as defined in the Indenture) from which the Trustee shall pay the principal of and the interest and redemption premium, if any, on the Bonds when due. As and to the extent set forth in the Indenture, all such Pledged Tax Revenues are exclusively and irrevocably pledged to and constitute a trust fund for, in accordance with the terms hereof and the provisions of the Indenture and the Law, the security and payment or redemption of, including any premium upon early redemption, and for the security and payment of interest on, the Bonds, any additional bonds, notes or other obligations, authorized by the Indenture to be issued on a parity therewith. In addition, the Bonds (and, if the indenture authorizing any loans, advances or indebtedness issued on a parity with the Bonds shall so provide, any such loan, advance or indebtedness) shall be additionally secured at all times by a first and exclusive pledge of and lien upon all of the moneys in the Debt Service Fund, the Bonds Interest Account, the Bonds Principal Account, the

Bonds Reserve Account and the Bonds Redemption Account (as such terms are defined in the Indenture). Except for the Pledged Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium, if any, on the Bonds.

The Bonds may be called before maturity and redeemed at the option of the Agency, in whole or in part from the proceeds of refunding bonds or other available funds, on September 1, 20\_\_ or on any date thereafter prior to maturity. Bonds called for redemption will be redeemed at the following redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) plus accrued interest to the redemption date:

<u><i>Redemption Date</i></u>	<u><i>Redemption Price</i></u>
September 1, 20__ and thereafter	100%

The Series A Bonds maturing on September 1, 20\_\_, September 1, 20\_\_ and September 1, 20\_\_ will be subject to mandatory redemption in part, by lot, on September 1, 20\_\_, September 1, 20\_\_ and September 1, 20\_\_ and on each September 1 until maturity, at a redemption price equal to the principal amount thereof together with the accrued interest thereon to the redemption date, without premium, from minimum sinking fund payments on hand in the Debt Service Fund in the years and amounts as follows:

Term Bonds Maturing September 1, 20\_\_

<u><i>Maturity Date</i></u>	<u><i>Principal Amount</i></u>
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Term Bonds Maturing September 1, 20\_\_

<u><i>Maturity Date</i></u>	<u><i>Principal Amount</i></u>
-----------------------------	--------------------------------

Term Bonds Maturing September 1, 20\_\_

<u><i>Maturity Date</i></u>	<u><i>Principal Amount</i></u>
-----------------------------	--------------------------------

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.



The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 each and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the corporate trust office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The Successor Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Successor Agency and the Trustee shall not be affected by any notice to the contrary.

The rights and obligations of the Successor Agency and the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided herein of any Bond without the express written consent of the registered owner of such Bond, reduce the percentage of Bonds required for the written consent to any such amendment or modification or, without its written consent thereto, modify any of the rights or obligations of the Trustee.

This Bond is not a debt of the City of La Quinta, the State of California, or any of its political subdivisions (except the Successor Agency), and none of said City, said State, nor any of its political subdivisions (except the Successor Agency) is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than those of the Successor 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.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the Law and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Successor Agency, does not exceed any limit prescribed by the Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Successor Agency to the La Quinta Redevelopment Agency has caused this Bond to be executed in its name and on its behalf with the facsimile signatures of its Executive Director and its Secretary [and its seal to be reproduced hereon], all as of the Delivery Date.

SUCCESSOR AGENCY TO THE LA QUINTA  
REDEVELOPMENT AGENCY

By: \_\_\_\_\_  
Executive Director

By: \_\_\_\_\_  
Secretary

**[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]**

This is one of the Bonds described in the within-mentioned Indenture.

Authentication Date: \_\_\_\_\_, 2016

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

**(FORM OF ASSIGNMENT)**

For value received the undersigned hereby sells, assigns and transfers unto

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(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoint(s)

\_\_\_\_\_ attorney, to transfer the same on the bond register of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an "eligible guarantor institution."

## ATTACHMENT 6



### Summary of 2016 Refinancing

#### Successor Agency to the La Quinta Redevelopment Agency/La Quinta Oversight Board

In December, 2013, the Successor Agency completed the refinancing of its 1998, 2001, 2002 and 2003 Tax Allocation financings issued by the former Redevelopment Agency. Issued in a tax-exempt and a taxable series, this refinancing program resulted in annual debt service savings in excess of \$555,000 and overall savings of more than \$10,650,000 over the remaining life of the refinanced Bonds. In July, 2014, the Successor Agency completed the refinancing of its 2014 Tax Allocation financing issue by the Financing Authority. Issued in a tax-exempt series, this refinancing resulted in annual debt service savings in excess of \$680,000 and overall savings of more than \$13,700,000 over the remaining life of the refinanced Bonds. These debt service savings result in excess revenues to various taxing agencies as well as increased residual revenues to the City.

There is now an opportunity to refinance the Agency's last two financings issued prior to redevelopment dissolution, for economic savings. The financings consist of \$6,000,000 La Quinta Redevelopment Project Area No. 2, Subordinate Taxable Tax Allocation Bonds, Series 2011 of which \$5,850,000 are currently outstanding and \$28,850,000 Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A of which \$27,225,000 are currently outstanding. These Bonds were issued just prior to dissolution in June, 2011 and carry extremely high interest rates ranging from 5.375% to 8.15% on a taxable basis.

Following the issuance of the 2016 Bonds, the Agency would have its final debt in place and is expected to be as follows:

	Original Principal	Outstanding Principal	Final Maturity	Interest Rate Range
<b>Project Areas 1 and 2</b>				
2013 Tax Exempt Bonds	\$ 97,190,000	\$ 89,095,000	2033	3.00% to 5.00%
2013 Taxable Bonds	23,055,000	21,010,000	2032	0.76% to 5.82%
2014 Tax Exempt Bonds	65,600,000	63,875,000	2034	2.00% to 5.00%
2016 Taxable Bonds *	35,280,000	35,280,000	2039	1.50% - 4.50%

\* 2016 Taxable Bonds assumptions are all estimates.

### Savings Analysis

The 2011 Bonds to be refinanced will be payable on the same dates (March 1 and September 1) and will mature on their regularly scheduled date without extension (September 1, 2039).

Refunding numbers on the 2011 Bonds show that based on current interest rates and yields, the Successor Agency can achieve annual debt service savings of approximately \$614,000 from 2017 through 2035 and \$285,000 from 2036 through 2039 with overall savings of \$12,822,000 over the remaining life of the 2011 Bonds. At this time, the refunding of the 2011 Bonds results in present value savings of about 16.25%. The overall estimated savings are after ALL costs associated with the financing have been paid.

The following sets forth the detailed annual savings:

Bond Year Ending	Total Current Debt Service	Total Proposed Debt Service	Savings
9/1/2017	\$ 18,217,372.76	\$ 17,602,829.90	\$ 614,542.86
9/1/2018	18,213,679.00	17,599,194.26	614,484.74
9/1/2019	18,220,271.50	17,604,211.76	616,059.74
9/1/2020	18,218,892.76	17,604,204.26	614,688.50
9/1/2021	18,226,867.76	17,614,554.26	612,313.50
9/1/2022	18,220,804.00	17,607,116.76	613,687.24
9/1/2023	18,214,156.00	17,602,348.76	611,807.24
9/1/2024	18,214,888.00	17,602,049.50	612,838.50
9/1/2025	18,213,618.00	17,597,104.50	616,513.50
9/1/2026	18,217,494.00	17,603,140.50	614,353.50
9/1/2027	18,219,624.00	17,608,850.50	610,773.50
9/1/2028	18,212,696.50	17,597,865.50	614,831.00
9/1/2029	18,209,594.00	17,594,748.00	614,846.00
9/1/2030	18,218,324.00	17,603,188.00	615,136.00
9/1/2031	18,216,853.00	17,603,327.00	613,526.00
9/1/2032	18,217,267.00	17,605,641.00	611,626.00
9/1/2033	8,858,778.50	8,243,060.00	615,718.50
9/1/2034	8,895,858.50	8,284,310.00	611,548.50
9/1/2035	3,625,136.50	3,007,675.00	617,461.50
9/1/2036	933,397.00	646,675.00	286,722.00
9/1/2037	936,007.50	646,250.00	289,757.50
9/1/2038	935,697.50	644,700.00	290,997.50
9/1/2039	335,497.50	47,025.00	288,472.50
<b>Total</b>	<b>\$315,992,775.28</b>	<b>\$303,170,069.46</b>	<b>\$ 12,822,705.82</b>
<b>Present Value Savings %</b>			<b>16.25%</b>

Since the reduced debt service after refunding will reduce the amount of property taxes deposited in the Redevelopment Property Tax Trust Fund required to be paid to the Successor Agency, there will be additional “residual” property tax that can be distributed to taxing agencies that overlap the boundaries of the Redevelopment Project Areas in accordance with their share of the general property tax levy shown below. The City may be able to use up to 50% of the additional residual

generated by the refunding first to repay certain City advances to the former Agency, and if so, the taxing agencies will receive their percentage of the remaining residual after such payment estimated as follows.

- School Districts: 62.50%
- Riverside County: 22.18%
- Water District: 7.21%
- City of La Quinta: 5.29%
- Recreation and Parks: 2.82%

The following table sets forth the estimated Costs associated with the 2016 financing. Underwriter’s discount estimated at 0.750%, costs of issuance estimated at 0.60%, bond insurance estimated at 0.31% and a debt service reserve surety bond fee of 0.14% for all in costs of 1.80% which is in line with the percentage of costs associated with the refunding programs. As previously mentioned, the savings discussed above are after all costs of issuance associated with the financing.

	Estimated 2016 Bonds Costs of Issuance
Rutan & Tucker, Bond Counsel	\$ 75,000.00
Stradling Yocca Carlson & Rauth, Disclosure Counsel	42,000.00
Harrell & Company, Financial Advisor	40,000.00
Standard & Poor’s Ratings Group, Rating Services	30,000.00
Grant Thornton, Verification Consultant	2,500.00
US Bank National Association, Trustee and Escrow Bank	4,500.00
Avia Communications, Financial Printing	2,500.00
Miscellaneous	3,500.00
<b>Subtotal Costs of Issuance</b>	<b>\$ 200,000.00</b>
Underwriter's Discount	264,600.00
Bond Insurance Provider	171,635.00
<b>Total Costs of Issuance</b>	<b>636,235.00</b>
<b>Percentage of Bond Financing</b>	<b>1.80%</b>

The Financing Team expects the Bonds to be rated “A+” by Standard and Poor’s. Purchasing insurance will bring the bond rating up to “AA” although based on the current market, insurance will not be necessary for all maturities. The increase in rating should offset the insurance premium through reduced interest rates and yields on the refunding bonds. The Financing Team will prepare a stress test at the time the refunding bonds are marketed to determine the actual savings generated by using bond insurance. If the insurance premium isn’t justified by savings, bond insurance will not be utilized.

The Prior Agency's Bonds all carry a reserve fund surety bond in lieu of cash for the reserve funds. Using cash at this point would greatly increase the amount of refunding bonds required to be issued in order to cash fund the new reserve funds. The use of a reserve fund surety bond will be required in order to achieve the reported savings.

Underwriter's Discount will be based in part on the rating of the refunding bonds. If bond insurance is utilized the underwriter's discount would be reduced over a standalone rating only. This is predominately due to the amount of takedown (commission) necessary to pay salespeople to sell the bonds. The higher the rating, the less takedown required.

### **Cash Contributions**

As part of the 2016 Bonds refunding program, the Financing Team has included approximately \$2,800,000 of unspent proceeds remaining with US Bank as Trustee for the Project Area No. 2 2011 Bonds, initially issued in the amount of \$6,000,000. These moneys have been designated by DOF as available for two purposes: 1) purchasing Agency bonds on the open market or 2) reducing bonded debt amounts in a refinancing. Over the past 24 months, there has been less than \$100,000 of these PA 2 Bonds available on the open market (bonds being offered for sale to the general public). It has therefore been determined that the best use of these moneys is in the refinancing process. The unspent proceeds will be transferred to the Escrow Bank and deposited in the Project No. 2 refunding escrow which in turn reduces the amount of bonds necessary to be issued for said refunding.

In addition, certain cash reserves are currently on deposit with the 2011 Bonds Trustee. These moneys have also been used to reduce the principal amount of bonds necessary to be issued for the refunding. As previously discussed, the Agency will purchase a reserve surety policy to satisfy its debt service reserve requirements.

### **2011 Bonds Escrow Accounts**

Proceeds from the financing will be held in an escrow that will pay regularly scheduled principal and interest on the prior 2011 Bonds until their first optional call date of September 1, 2020. The escrow fund will also hold funds to redeem all remaining maturities on September 1, 2020. The proceeds held in the escrow will be invested in either State and Local Government Securities or Open Market Securities, whichever are more efficient. The prior 2011 Bonds will be considered fully defeased on the date the 2016 Bonds are issued.

### **Conclusion**

There is no way of knowing if the municipal market will maintain current interest rates and yields long enough for the Successor Agency to complete the approval and DOF review process estimated to require 60 to 75 days. We believe your Financing Team should be able to steer the refinancing thru the approval process at little or no cost to the Successor Agency, should the refunding bonds not be economically feasible following the approval and review process. In addition, prior to the issuance of refunding bonds, the Financing Team will return to the Successor Agency Board for the



approval of a substantially final Preliminary Official Statement and to provide an update of refunding numbers and financing costs at that time.

## Timeline

The following is a general timeline for the proposed refinancing. This schedule will be updated based on DOF approval actions and market conditions.

Scheduled Event	Date to Complete
Successor Agency Board adopts Resolution approving Financing Documents	May 3
Oversight Board adopts Resolution approving Financing Documents Submit Revised OB Resolution and Documents to DOF	May 4
DOF Approval of Financing	July 5
Submit Documents to Rating Agency/Insurer	July 6
Receive Rating/Insurance	July 27
Successor Agency Board adopts Resolution deeming Preliminary Official Statement Substantially Final	August 2
Bond Sale - Successor Agency signs Purchase Contract	August 24
Bond Closing	September 14