



# 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, SEPTEMBER 20, 2016 AT 4:00 P.M.**

### **CALL TO ORDER**

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

### **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).

### **CONFIRMATION OF AGENDA**

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

### **CONSENT CALENDAR**

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

1. APPROVE MINUTES OF JULY 5, 2016 3
2. ADOPT RESOLUTION APPROVING THE PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH 2016 TAX ALLOCATION REFUNDING BONDS [RESOLUTION NO. SA 2016-005] 5

### **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, Monika Radeva, Deputy 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 September 16, 2016.

DATED: September 16, 2016

MONIKA RADEVA, Deputy 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, JULY 5, 2016**

A special 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 8:01 pm by Chairperson Evans.

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

**CONFIRMATION OF AGENDA** – Confirmed  
**CLOSED SESSION** – None  
**PUBLIC COMMENT ON MATTERS NOT ON THE AGENDA** – None

**CONSENT CALENDAR**

1. **APPROVE MINUTES OF JANUARY 19, 2016**
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 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]

**MOTION** – A motion was made and seconded by Agency Members Franklin/Osborne to approve the Consent Calendar as recommended, adopting Resolution SA 2016-003 and 004. Motion passed unanimously.

**ADJOURNMENT**

There being no further business, it was moved and seconded by Agency Members Radi/Franklin to adjourn at 8:05 p.m. Motion passed unanimously.

Respectfully submitted,

SUSAN MAYSELS, Agency Secretary  
Successor Agency to the dissolved  
La Quinta Redevelopment Agency  
CITY AS SUCCESSOR AGENCY TO RDA

[Click here to return to Agenda](#)

# City of La Quinta

SUCCESSOR AGENCY MEETING: September 20, 2016

## STAFF REPORT

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**AGENDA TITLE:** ADOPT RESOLUTION TO APPROVE THE FORM OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH 2016 TAX ALLOCATION REFUNDING BONDS

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### RECOMMENDATION

Adopt a Resolution to approve the form of a Preliminary Official Statement and authorize certain other actions in connection with 2016 Tax Allocation Refunding Bonds.

### EXECUTIVE SUMMARY

- The Successor Agency (SA) approved the Preliminary Official Statement (POS) on July 5, 2016; the POS summarizes the structure, revenues and uses of the 2016 Tax Allocation Refunding Bonds (2016 Bonds) for the bond purchasers and investors.
- The Agency Board must now consider the revised POS to comply with the Securities and Exchange Commission Rule 15c2-12. Staff anticipates the 2016 Bonds will be sold in the next 30 days after Standard and Poor's issues a rating.

### FISCAL IMPACT

The 2016 Bonds refund the former La Quinta Redevelopment and the La Quinta Financing Authority 2011 bonds; the SA is doing this in order to reduce annual debt services costs by a projected \$742,000 or \$15,235,000 over the life of the 2016 Bonds, due to lower bond interest rates. These savings will benefit the City and other taxing agencies.

### BACKGROUND/ANALYSIS

On July 5, 2016, the SA authorized selling subordinate tax allocation refunding bonds, and approved the form of the financing documents. The Oversight Board and the State Department of Finance subsequently approved the 2016 Bonds. The approximately \$36,640,000 of Taxable Series 2016A, will refinance the former La Quinta Redevelopment Agency's Taxable Tax Allocation Bonds, Series 2011, and the La Quinta Financing Authority Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A.

### ALTERNATIVES

The SA could elect to not refund 2011 bonds thus not reducing annual debt service costs.

Prepared by: Gilbert Villalpando, Management Specialist

Approved by: Frank J. Spevacek, City Manager

Attachments: 1. Preliminary Official Statement

[Click here to return to Agenda](#)

**RESOLUTION NO. SA 2016 -**

**A RESOLUTION OF THE SUCCESSOR AGENCY TO LA QUINTA REDEVELOPMENT AGENCY AUTHORIZING THE FORM OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the Successor Agency to the La Quinta Redevelopment Agency (the “Successor Agency”) has previously approved the issuance of its La Quinta Redevelopment Project Areas No. 1 and 2 Subordinate Tax Allocation Refunding Bonds, 2016 Taxable Series A (the “Bonds”), and a Second Supplemental Indenture of Trust relating thereto (the “Supplemental Indenture”) at its meeting on July 5, 2016 for the purpose of refunding certain indebtedness incurred by the La Quinta Redevelopment Agency (the “Prior Obligations”), and wishes at this time to approve a Preliminary Official Statement in connection with the marketing of the Bonds and for the purpose of deeming it final within the meaning of Rule 15c2-12; and

**WHEREAS**, the Oversight Board to the Successor Agency to the La Quinta Redevelopment Agency has approved of the issuance of the Bonds by a resolution adopted at its meeting on July 6, 2016 (the “Oversight Board Resolution”); and

**WHEREAS**, a copy of the Oversight Board Resolution was provided to the Department of Finance on July 6, 2016; and

**WHEREAS**, the Successor Agency is awaiting approval by the Department of Finance of the issuance of the Bonds; and

**WHEREAS**, no further action by the Oversight Board is required with respect to the approval of the Preliminary Official Statement by the Successor Agency

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

Section 1. 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 (as defined below) 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 2. 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 3. 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 Preliminary Official Statement, the Official Statement, this Resolution and any such agreements approved by Bond Counsel.

Section 4. This Resolution shall take effect immediately upon its adoption.

**PASSED, APPROVED, and ADOPTED** at a regular meeting of the Successor Agency to the Dissolved La Quinta Redevelopment Agency held on this 20th day of September, 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



SA Resolution No. 2016-  
Authorize the Form of a Preliminary Official Statement  
Adopted: September 20, 2016  
Page 3 of 3

**ATTEST:**

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

(AGENCY SEAL)

**APPROVED AS TO FORM:**

---

William Ihrke, Successor Agency Counsel  
City of La Quinta Acting as Successor Agency  
To the La Quinta Redevelopment Agency

[Click here to return to Agenda](#)

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER \_\_\_\_, 2016****NEW ISSUE—BOOK-ENTRY**

S&amp;P: “\_\_” (Insured)

“\_\_” (Underlying)

(See “CONCLUDING INFORMATION — Ratings” Herein)

*In the opinion of Rutan & Tucker, LLP, Costa Mesa, California, Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. The Agency does not intend for interest on the Bonds to be excluded from gross income for federal income tax purposes, but such interest is exempt from State of California personal income taxes. See “CONCLUDING INFORMATION — Tax Matters” herein.*

**\$36,640,000\***

**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 \$36,640,000\* 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 March 1, 2017) 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 \$5,810,000 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 \$26,635,000 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 - Redemption” 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 \$61,670,000 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 \$85,590,000 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 \$20,130,000 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.

\* Preliminary; subject to change.

[Click here to return to Agenda](#)

*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 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†</b>
2017	\$1,605,000				
2018	1,485,000				
2019	1,505,000				
2020	1,525,000				
2021	1,550,000				
2022	1,570,000				
2023	1,605,000				
2024	1,640,000				
2025	1,685,000				
2026	1,725,000				
2027	1,770,000				
2028	1,810,000				
2029	1,870,000				
2030	1,935,000				
2031	1,995,000				
2032	2,055,000				
2033	2,130,000				
2034	2,625,000				

\$4,560,000\* \_\_\_\_% Term Bonds due September 1, 2039 Yield: \_\_\_\_%, Price: \_\_\_\_% CUSIP† \_\_\_\_\_

\* Preliminary; subject to change.

† 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.

**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*  
Karla Campos, *Finance Director*  
William Ihrke, *Agency Counsel/City Attorney*

**SPECIAL SERVICES**

**Bond Counsel/Agency 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

**Municipal 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”.

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT .....	1
Authority and Purpose .....	1
The Redevelopment Plans.....	2
Tax Allocation Financing .....	2
Security for the Bonds .....	3
Senior Bonds.....	4
Reserve Account .....	4
Further Information.....	5
BOND INSURANCE .....	5
SOURCES AND USES OF FUNDS .....	6
THE BONDS .....	6
Authority for Issuance.....	6
Description of the Bonds .....	6
Book-Entry System.....	7
Redemption.....	7
SECURITY FOR THE BONDS .....	8
Tax Increment Financing .....	9
Redevelopment Property Tax Trust Fund.....	10
Recognized Obligation Payment Schedule .....	12
Parity Bonds.....	15
THE INDENTURE.....	17
Allocation of Tax Revenues.....	17
Pledged Tax Revenues – Application .....	17
Investment of Moneys in Funds and Accounts.....	19
Covenants of the Agency .....	20
Events of Default and Remedies .....	22
Application of Funds Upon Acceleration .....	24
Amendments .....	24
THE SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY .....	25
Members and Officers.....	25
Agency Powers .....	26
RISK FACTORS .....	26
Reduction in Taxable Value.....	27
Risks to Real Estate Market.....	27
Reduction in Inflationary Rate.....	27
Development Risks .....	28
Levy and Collection of Taxes .....	28
State Budget Issues .....	28
Recognized Obligation Payment Schedule .....	29
Bankruptcy and Foreclosure .....	32
Estimated Revenues .....	32



**TABLE OF CONTENTS**  
**(Continued)**

	<u>Page</u>
Hazardous Substances.....	32
Natural Disasters.....	33
Changes in the Law.....	33
Investment Risk.....	33
Additional Obligations.....	33
No Validation Proceeding Undertaken.....	34
Insured Bonds.....	35
Secondary Market.....	36
<b>PROPERTY TAXATION IN CALIFORNIA.....</b>	<b>36</b>
Property Tax Collection Procedures.....	36
Unitary Property.....	38
Article XIII A of the State Constitution.....	38
Appropriations Limitation – Article XIII B.....	39
Articles XIII C and XIII D of the State Constitution.....	39
Proposition 87.....	40
Redevelopment Time Limits.....	40
Appeals of Assessed Values.....	40
Proposition 8.....	41
Propositions 218 and 26.....	41
Future Initiatives.....	41
<b>THE PROJECT AREAS.....</b>	<b>42</b>
Project Area No. 1 – Background.....	42
Project Area No. 2 – Background.....	42
Redevelopment Plan Limitations.....	42
Location and Surrounding Area.....	43
Pass-Through Agreements and Obligations with Various Taxing Agencies.....	43
Largest Local Secured Taxpayers.....	44
Teeter Plan and Delinquency Rates.....	45
<b>PLEDGED TAX REVENUES.....</b>	<b>45</b>
Schedule of Historical Pledged Tax Revenues.....	46
Annual Debt Service.....	48
Projected Taxable Valuation and Pledged Tax Revenues.....	50
Debt Service Coverage.....	51
<b>CONCLUDING INFORMATION.....</b>	<b>52</b>
Underwriting.....	52
Verification of Mathematical Accuracy.....	53
Legal Opinion.....	53
Tax Matters.....	53
Litigation.....	57
Legality for Investment in California.....	57
Ratings.....	57
Continuing Disclosure.....	57
Miscellaneous.....	58

**TABLE OF CONTENTS**  
**(Continued)**

	<u>Page</u>
APPENDIX A DEFINITIONS.....	A-1
APPENDIX B FORM OF BOND COUNSEL OPINIONS.....	B-1
APPENDIX C BOOK-ENTRY ONLY SYSTEM.....	C-1
APPENDIX D FORM OF CONTINUING DISCLOSURE AGREEMENT .....	D-1
APPENDIX E COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2015 (EXCLUDING SUPPLEMENTARY INFORMATION) .....	E-1
APPENDIX F MUNICIPAL ADVISOR’S REPORT.....	F-1
APPENDIX G SUPPLEMENTAL INFORMATION – THE CITY OF LA QUINTA.....	G-1
APPENDIX H SPECIMEN MUNICIPAL BOND INSURANCE POLICY .....	H-1

## OFFICIAL STATEMENT

**\$36,640,000\***

**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 \$36,640,000\* 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 December 1, 2013 (the “Original Indenture”), as supplemented by a Second Supplemental Indenture of Trust (the “Second Supplemental Indenture” and, together with the Original Indenture, the “Indenture”), dated as of October 1, 2016, each 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 \$5,810,000 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 \$26,635,000 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.”

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\* Preliminary; subject to change.

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, 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 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 Municipal 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 on 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, Municipal 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 2016-004 adopted on July 5, 2016 (the "Resolution"), and by the Oversight Board for the Agency pursuant to Resolution No. OB 2016-005 adopted on July 6, 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, 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. 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 March 1, 2017, 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.”

**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%

**Mandatory Sinking Fund Redemption.** The Bonds maturing on September 1, 2039\* will be subject to mandatory redemption in part, by lot, on September 1, 2035\* 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:

**2039 TERM BONDS**

<i>Year</i>	<i>Amount*</i>
2035	\$2,710,000
2036	580,000
2037	600,000
2038	625,000
2039 (maturity)	45,000

**Purchase In Lieu of Redemption.** In lieu of optional or sinking account redemption of the 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 Agency at any time for the purchase of the Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of the Bonds so purchased by the 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 Bonds otherwise required to be redeemed on the following September 1 pursuant to the Indenture. The prior written approval of the Insurer if any Bond so purchased is not cancelled upon purchase.

**Notice of Redemption.** [TO COME]

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\* Preliminary; subject to change.

## 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 2016-17***

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 Riverside 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, Parity 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, Parity 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, Parity Bonds (if any), 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 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>	2016
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 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 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 Riverside 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.

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 \$822,067.

***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 — MUNICIPAL 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 XIII C and XIII D 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 XIII C 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 XIII C and Article XIII D 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 — “MUNICIPAL 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 — “MUNICIPAL ADVISOR’S REPORT” herein.

### **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. The projections set forth in this Official Statement were prepared with the time and financial limitations set forth in the Redevelopment Plans described below. Tax Revenues received from Project Area No. 1, however, will continue to be available after November 29, 2034 if needed to pay enforceable obligations.

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.

**Project Area No. 1  
Redevelopment Plan Limit**

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>

<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.

**Project Area No. 2  
Redevelopment Plan Limit**

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>

<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\*.

\* 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\*.

\* 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 2016-17 secured assessed value. These taxpayers represent approximately 6.7% of the 2016-17 secured assessed value in Project Area No. 1.

<i>Property Owner</i>	<i>Land Use</i>	<i>Secured Value</i>	<i>% of Total</i>
LQR Properties	Hotel	\$132,940,101	2.7%
RREF II CWC LAQ	Residential Properties	31,386,819	0.6
Silverhawk Apartments LP	Apartments	24,091,776	0.5
LQR Golf	Country Club	51,929,864	1.0
Village Resort	Hotel	22,859,534	0.5
Beazer Homes Holdings Corp	Residential Properties	9,729,198	0.2
Quarry at La Quinta Inc.	Hotel	12,132,478	0.2
LQ Investment <sup>(1)</sup>	Commercial	15,727,770	0.3
Tradition Golf Club	Country Club	14,110,451	0.3
Old Town La Quinta LLC <sup>(1)</sup>	Commercial	<u>18,513,878</u>	<u>0.4</u>
<b>Total</b>		\$333,421,869	6.7%

<sup>(1)</sup> Appeal pending. See “PROPERTY TAXATION IN CALIFORNIA – Appeals of Assessed Values.”

Source: Harrell & Company Advisors, LLC.

Set forth below are the ten largest secured property taxpayers in Project Area No. 2 based on the 2016-17 secured assessed value. These taxpayers represent approximately 8.8% of the 2016-17 secured assessed value in Project Area No. 2.

<i>Property Owner</i>	<i>Land Use</i>	<i>Secured Value</i>	<i>% of Total</i>
Inland American La Quinta Pavilion <sup>(1)</sup>	Commercial	\$ 46,422,245	1.7%
Wal Mart Real Estate Business Trust <sup>(1)</sup>	Commercial	26,561,700	1.0
Health Care REIT Inc. <sup>(1)</sup>	Commercial	25,381,249	0.9
Aventine Development	Apartments	25,295,268	0.9
CSRA Komar Desert Center	Commercial	24,150,763	0.9
Costco Wholesale Corp.	Commercial	23,842,715	0.9
La Quinta Residence	Senior Apartments	20,523,563	0.7
TD Desert Development LP	Country Club	19,437,517	0.7
Target Corp. <sup>(1)</sup>	Commercial	17,156,040	0.6
Culver Center Partners La Quinta	Commercial	<u>16,500,000</u>	<u>0.6</u>
<b>Total</b>		<b>\$245,271,060</b>	<b>8.8%</b>

<sup>(1)</sup> Appeal pending. See “PROPERTY TAXATION IN CALIFORNIA – Appeals of Assessed Values.”  
Source: California Municipal Statistics Inc.

### **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 City participates in the County’s “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 2012-13 through 2016-17 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

	2012-13	2013-14	2014-15	2015-16	2016-17
Secured Assessed Value	\$4,220,927,365	\$4,376,573,490	\$4,634,034,985	\$4,835,885,419	\$4,977,966,406
Unsecured Assessed Value	<u>33,872,601</u>	<u>29,894,413</u>	<u>28,724,053</u>	<u>36,642,726</u>	<u>34,377,191</u>
Total Assessed Valuation <sup>(1)</sup>	4,254,799,966	4,406,467,903	4,662,759,038	4,872,528,145	5,012,343,597
Base Year Valuation	<u>(199,398,233)</u>	<u>(199,398,233)</u>	<u>(199,398,233)</u>	<u>(199,398,232)</u>	<u>(199,398,232)</u>
Incremental Valuation	\$4,055,401,733	\$4,207,069,670	\$4,463,360,805	4,673,129,913	4,812,945,365
1% Tax Rate	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>
Tax Increment Revenues	40,554,017	42,070,697	44,633,608	46,731,299	48,129,454
Unitary Revenue	<u>468,931</u>	<u>499,528</u>	<u>498,721</u>	<u>521,106</u>	<u>521,000</u>
<b>Gross Tax Revenues</b>	<b>\$41,022,948</b>	<b>\$42,570,225</b>	<b>\$45,132,329</b>	<b>\$47,252,405</b>	<b>\$48,650,454</b>
<b>Actual Tax Revenues</b>	<b>\$41,220,251</b>	<b>\$42,763,689</b>	<b>\$45,882,054</b>	<b>\$47,641,632</b>	

<sup>(1)</sup> Taxable Valuation as of August 20 equalized roll.  
Source: Harrell & Company Advisors LLC.

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

	2012-13	2013-14	2014-15	2015-16	2016-17
Secured Assessed Value	\$2,318,312,944	\$2,426,052,754	\$2,537,426,288	\$2,671,084,328	\$2,777,740,583
Unsecured Assessed Value	<u>62,055,089</u>	<u>67,195,981</u>	59,204,039	56,545,664	58,960,131
Total Assessed Valuation <sup>(1)</sup>	2,380,368,033	2,493,248,735	2,596,630,327	2,727,629,992	2,836,700,714
Base Year Valuation	<u>(95,182,755)</u>	<u>(95,182,755)</u>	<u>(95,182,755)</u>	<u>(95,182,755)</u>	<u>(95,182,755)</u>
Incremental Valuation	\$2,285,185,278	\$2,398,065,980	\$2,501,447,572	\$2,632,447,237	\$2,741,517,959
Basic Tax Rate/\$100	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>
Tax Increment Revenues	22,851,853	23,980,660	25,014,476	26,324,472	27,415,180
Unitary Revenue	<u>174,162</u>	<u>188,891</u>	<u>190,272</u>	<u>199,116</u>	<u>199,000</u>
<b>Gross Tax Revenues</b>	<b>\$23,026,015</b>	<b>\$24,169,551</b>	<b>\$25,204,748</b>	<b>\$26,523,588</b>	<b>\$27,614,180</b>
<b>Actual Tax Revenues</b>	<b>\$22,893,004</b>	<b>\$24,281,764</b>	<b>\$25,548,831</b>	<b>\$26,846,075</b>	

<sup>(1)</sup> Taxable Valuation as of August 20 equalized roll.  
Source: Harrell & Company Advisors LLC.



Actual Tax Increment Collections and deductions from Tax Increment Revenues for the Project Areas are shown below:

**PROJECT AREA NO. 1  
HISTORICAL PLEDGED 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	\$41,157,343	\$41,220,251	\$42,763,689	\$45,882,054	\$47,641,632
Housing Obligations <sup>(1)</sup>	(5,480,234)	(5,555,434)	(5,512,447)	(5,104,641)	(5,092,590)
Senior Tax Sharing	<u>(1,661,527)</u>	<u>(1,382,643)</u>	<u>(1,463,564)</u>	<u>(1,674,926)</u>	<u>(2,568,952)</u>
<b>Available for Debt Service</b>	<b>\$34,015,582</b>	<b>\$34,282,174</b>	<b>\$35,787,678</b>	<b>\$39,102,487</b>	<b>\$39,980,090</b>
Subordinate Tax Sharing	<u>(16,702,023)</u>	<u>(16,671,443)</u>	<u>(17,395,260)</u>	<u>(18,640,060)</u>	<u>(19,393,004)</u>
<b>Net Available</b>	<b>\$17,313,559</b>	<b>\$17,610,731</b>	<b>\$18,392,418</b>	<b>\$20,462,427</b>	<b>\$20,587,086</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 PLEDGED 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	\$24,281,764	\$25,548,831	\$26,846,075
Housing Obligations <sup>(1)</sup>	(3,130,947)	(3,055,747)	(3,130,125)	(2,850,804)	(2,858,627)
Senior Tax Sharing	<u>(15,854,843)</u>	<u>(15,684,399)</u>	<u>(16,619,279)</u>	<u>(17,473,783)</u>	<u>(18,097,066)</u>
<b>Available for Debt Service</b>	<b>\$ 4,528,069</b>	<b>\$ 4,152,858</b>	<b>\$ 4,532,360</b>	<b>\$ 5,224,244</b>	<b>\$ 5,890,382</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.

## Annual Debt Service

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

<b>Maturity Date (September 1)</b>	<b>Principal*</b>	<b>Interest*</b>	<b>Debt Service*</b>
2017	\$1,610,000.00	\$867,487.85	\$2,477,487.85
2018	1,490,000.00	986,246.70	2,476,246.70
2019	1,505,000.00	967,875.02	2,472,875.02
2020	1,530,000.00	947,181.26	2,477,181.26
2021	1,555,000.00	924,231.26	2,479,231.26
2022	1,575,000.00	895,075.00	2,470,075.00
2023	1,610,000.00	861,606.26	2,471,606.26
2024	1,640,000.00	825,381.26	2,465,381.26
2025	1,685,000.00	786,431.26	2,471,431.26
2026	1,730,000.00	744,306.26	2,474,306.26
2027	1,775,000.00	698,893.76	2,473,893.76
2028	1,815,000.00	650,081.26	2,465,081.26
2029	1,875,000.00	595,631.26	2,470,631.26
2030	1,940,000.00	537,037.52	2,477,037.52
2031	2,000,000.00	473,987.52	2,473,987.52
2032	2,060,000.00	408,987.52	2,468,987.52
2033	2,135,000.00	339,462.50	2,474,462.50
2034	2,630,000.00	264,737.50	2,894,737.50
2035	2,720,000.00	172,687.50	2,892,687.50
2036	590,000.00	70,687.50	660,687.50
2037	610,000.00	48,562.50	658,562.50
2038	630,000.00	25,687.50	655,687.50
2039	55,000.00	2,062.50	57,062.50
<b>Total</b>	<b>\$36,640,000.00</b>	<b>\$13,094,328.47</b>	<b>\$49,859,328.47</b>

\* Preliminary; subject to change.

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>
2017	\$5,260,350.00	\$7,839,262.50	\$1,907,528.00	\$2,469,260.32	\$17,476,400.82
2018	5,262,250.00	7,838,462.50	1,904,578.00	2,467,566.30	17,472,856.80
2019	5,263,650.00	7,843,962.50	1,906,058.00	2,469,256.26	17,482,926.76
2020	5,261,250.00	7,839,712.50	1,908,188.00	2,468,562.52	17,477,713.02
2021	5,264,750.00	7,840,712.50	1,908,788.00	2,470,687.52	17,484,938.02
2022	5,266,750.00	7,841,212.50	1,908,175.50	2,461,625.00	17,477,763.00
2023	5,262,000.00	7,840,712.50	1,907,457.50	2,463,262.52	17,473,432.52
2024	5,265,500.00	7,838,712.50	1,907,689.50	2,462,150.02	17,474,052.02
2025	5,261,500.00	7,839,712.50	1,906,119.50	2,463,200.02	17,470,532.02
2026	5,260,000.00	7,842,962.50	1,906,405.50	2,466,200.02	17,475,568.02
2027	5,260,500.00	7,842,712.50	1,908,285.50	2,465,918.76	17,477,416.76
2028	5,262,500.00	7,841,312.50	1,907,250.50	2,457,243.76	17,468,306.76
2029	5,260,500.00	7,839,812.50	1,902,053.00	2,462,943.76	17,465,309.26
2030	5,264,250.00	7,843,062.50	1,902,693.00	2,469,506.26	17,479,511.76
2031	5,263,000.00	7,840,062.50	1,909,282.00	2,466,618.76	17,478,963.26
2032	5,261,500.00	7,840,312.50	1,910,051.00	2,461,781.26	17,473,644.76
2033	5,259,250.00	392,812.50	-	2,467,425.00	8,119,487.50
2034	5,265,750.00	-	-	2,887,875.00	8,153,625.00
2035	-	-	-	2,881,000.00	2,881,000.00
2036	-	-	-	649,375.00	649,375.00
2037	-	-	-	647,625.00	647,625.00
2038	-	-	-	650,125.00	650,125.00
2039	-	-	-	46,687.50	46,687.50
<b>Total</b>	<b>\$94,725,250.00</b>	<b>\$125,845,512.50</b>	<b>\$30,510,602.50</b>	<b>\$49,675,895.56</b>	<b>\$300,757,260.56</b>

\* Preliminary; subject to change.

**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 — “MUNICIPAL 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**

Fiscal Year	Project No. 1 Tax Revenues <sup>(1)</sup>	Project No. 2 Tax Revenues	Tax Revenues		Pledged Tax Revenues
			Before Senior Bonds	Senior Bonds	
2017	\$25,772,000	\$8,635,000	\$ 34,407,000	\$(5,260,350 )	\$29,146,650
2018	26,266,000	8,807,000	35,073,000	(5,262,250)	29,810,750
2019	26,771,000	8,985,000	35,756,000	(5,263,650)	30,492,350
2020	27,287,000	9,160,000	36,447,000	(5,261,250)	31,185,750
2021	27,812,000	9,336,000	37,148,000	(5,264,750)	31,883,250
2022	28,348,000	9,520,000	37,868,000	(5,266,750)	32,601,250
2023	28,894,000	9,704,000	38,598,000	(5,262,000)	33,336,000
2024	29,452,000	9,841,000	39,293,000	(5,265,500)	34,027,500
2025	30,022,000	10,026,000	40,048,000	(5,261,500)	34,786,500
2026	30,602,000	10,215,000	40,817,000	(5,260,000)	35,557,000
2027	31,193,000	10,407,000	41,600,000	(5,260,500)	36,339,500
2028	31,798,000	10,601,000	42,399,000	(5,262,500)	37,136,500
2029	32,414,000	10,804,000	43,218,000	(5,260,500)	37,957,500
2030	33,042,000	11,005,000	44,047,000	(5,264,250)	38,782,750
2031	33,681,000	11,214,000	44,895,000	(5,263,000)	39,632,000
2032	34,336,000	11,425,000	45,761,000	(5,261,500)	40,499,500
2033	35,001,000	11,641,000	46,642,000	(5,259,250)	41,382,750
2034	35,681,000	11,861,000	47,542,000	(5,265,750)	42,276,250
2035	-	12,087,000	12,087,000	-	12,087,000
2036	-	12,316,000	12,316,000	-	12,316,000
2037	-	12,549,000	12,549,000	-	12,549,000
2038	-	12,788,000	12,788,000	-	12,788,000
2039	-	13,030,000	13,030,000	-	13,030,000
2040	-	13,273,000	13,273,000	-	13,273,000

<sup>(1)</sup> All Subordinated Pass-Through Amounts have been deducted. Tax Revenues received from Project Area No. 1 will continue to be available after November 29, 2034, if needed, to pay enforceable obligations. See “THE PROJECT AREAS – Redevelopment Plan Limitations.”

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 2016-17 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) (3)</sup></b>	<b>Combined Debt Service Coverage <sup>(3)</sup></b>
2017	\$34,407,000	\$17,476,401	1.97x
2018	34,407,000	17,472,857	1.97x
2019	34,407,000	17,482,927	1.97x
2020	34,407,000	17,477,713	1.97x
2021	34,407,000	17,484,938	1.97x
2022	34,407,000	17,477,763	1.97x
2023	34,407,000	17,473,433	1.97x
2024	34,407,000	17,474,052	1.97x
2025	34,407,000	17,470,532	1.97x
2026	34,407,000	17,475,568	1.97x
2027	34,407,000	17,477,417	1.97x
2028	34,407,000	17,468,307	1.97x
2029	34,407,000	17,465,309	1.97x
2030	34,407,000	17,479,512	1.97x
2031	34,407,000	17,478,963	1.97x
2032	34,407,000	17,473,645	1.97x
2033	34,407,000	8,119,488	4.24x
2034	34,407,000	8,153,625	4.22x
2035	8,635,000	2,881,000	3.00x
2036	8,635,000	649,375	13.30x
2037	8,635,000	647,625	13.33x
2038	8,635,000	650,125	13.28x
2039	8,635,000	46,688	184.95x

<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. Preliminary; subject to change.

<sup>(3)</sup> Preliminary.

Source: The Municipal 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 2016-17 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) (3)</sup></b>	<b>Combined Debt Service Coverage <sup>(3)</sup></b>
2017	\$34,407,000	\$17,476,401	1.97x
2018	35,073,000	17,472,857	2.01x
2019	35,756,000	17,482,927	2.04x
2020	36,447,000	17,477,713	2.09x
2021	37,148,000	17,484,938	2.12x
2022	37,868,000	17,477,763	2.17x
2023	38,598,000	17,473,433	2.21x
2024	39,293,000	17,474,052	2.25x
2025	40,048,000	17,470,532	2.29x
2026	40,817,000	17,475,568	2.33x
2027	41,600,000	17,477,417	2.38x
2028	42,399,000	17,468,307	2.43x
2029	43,218,000	17,465,309	2.47x
2030	44,047,000	17,479,512	2.52x
2031	44,895,000	17,478,963	2.57x
2032	45,761,000	17,473,645	2.62x
2033	46,642,000	8,119,488	5.74x
2034	47,542,000	8,153,625	5.83x
2035	12,087,000	2,881,000	4.20x
2036	12,316,000	649,375	18.97x
2037	12,549,000	647,625	19.38x
2038	12,788,000	650,125	19.67x
2039	13,030,000	46,688	279.09x

<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. Preliminary; subject to change.

<sup>(3)</sup> Preliminary.

Source: The Municipal 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 realow 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.

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**

State Tax Exemption. In the opinion of Rutan & Tucker, LLP, Costa Mesa, California, Bond Counsel, under existing law interest on the Bonds is exempt from personal income taxes of the State of California. Except as stated in the immediately preceding sentence, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. A copy of the form of opinion of Bond Counsel relating to the Bonds is included in "APPENDIX B."

Federal Income Tax Considerations. The following is a general summary of certain United States federal income tax consequences of the purchase and ownership of the Bonds. The discussion is not specific as to any potential or actual investor. The discussion is based upon the Internal Revenue Code of 1986 (the "Code"), United States Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein.

The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors and generally does not address consequences relating to the disposition of a Bond by the owner thereof for federal income tax purposes. Further, the discussion below does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the Bonds in light of the investor's particular circumstances or to certain types of investors subject to special treatment under the federal income tax laws (including insurance companies, tax exempt organizations and other entities, financial institutions, broker-dealers, persons who have

hedged the risk of owning the Bonds, traders in securities that elect to use a mark to market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass through entities, certain hybrid entities and owners of interests therein, persons who acquire Bonds in connection with the performance of services, or persons deemed to sell Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of state, local, or foreign law or United States federal tax laws other than United States federal income tax law. The discussion below is limited to certain issues relating to initial investors who will hold the Bonds as “capital assets” within the meaning of section 1221 of the Code, and acquire such Bonds for investment and not as a dealer or for resale. The discussion below addresses certain federal income tax consequences applicable to owners of the Bonds who are United States persons within the meaning of section 7701(a)(30) of the Code (“United States persons”) and, except as discussed below, does not address any consequences to persons other than United States persons.

Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the “Service”) with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

**ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.**

Interest on the Bonds. Bond Counsel will rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the Bonds from gross income for federal income tax purposes. The Agency has taken no action to cause, and does not intend, interest on the Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The Agency intends to treat the Bonds as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. **THE AGENCY EXPECTS THAT THE INTEREST PAID ON A BOND GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.**

Disposition of Bonds, Inclusion of Acquisition Discount and Treatment of Market Discount. An owner of Bonds will generally recognize gain or loss on the sale or exchange of the Bonds equal to the difference between the sales price (exclusive of the amount paid for accrued interest), and the owner’s adjusted tax basis in the Bonds. Generally, the owner’s adjusted tax basis in the Bonds will be the owner’s initial cost, increased by original issue discount (if any) previously included in the owner’s income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the owner’s holding period for the Bonds.

Under current law, a purchaser of a Bond who did not purchase that Bond in the initial public offering (a “subsequent purchaser”) generally will be required, on the disposition (or earlier partial principal payment) of such Bond, to recognize as ordinary income a portion of the gain (or partial principal payment), if any, to the extent of the accrued “market discount.” In general, market discount is the amount by which the price paid for such Bond by such a subsequent purchaser is less than the stated redemption price at maturity of that Bond (or, in the case of a Bond bearing original issue discount, is less than the “revised issue price” of that Bond (as defined below) upon such purchase), except that market discount is considered to be zero if it is less than one quarter of one percent of the principal amount times the number of complete remaining years to maturity. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may



elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of such Bonds could have a material effect on the market value of such Bonds.

Stated Interest and Reporting of Interest Payments. The stated interest on the Bonds will be included in the gross income, as defined in section 61 of the Code, of the owners thereof as ordinary income for federal income tax purposes at the time it is paid or accrued, depending on the tax accounting method applicable to the owners thereof. Subject to certain exceptions, the stated interest on the Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099-INT (or other appropriate reporting form) which will reflect the name, address, and taxpayer identification number of the owner. A copy of such Form 1099-INT will be sent to each owner of a Bond for federal income tax purposes.

Original Issue Discount. If the first price at which a substantial amount of the Bonds of any stated maturity is sold (the "Issue Price") is less than the face amount of those Bonds, the excess of the face amount of each Bond of that maturity over the Issue Price of that maturity is "original issue discount." If the original issue discount on a Bond is less than the product of one quarter of one percent of its face amount times the number of complete years to its maturity, the original issue discount on that Bond will be treated as zero. Original issue discount on a Bond will be amortized over the life of the Bond using the "constant yield method" provided in the Treasury Regulations. As the original issue discount on a Bond accrues under the constant yield method, the owner of that Bond, regardless of its regular method of accounting, will be required to include such accrued amount in its gross income as interest. This can result in taxable income to the owners of the Bonds that exceeds actual cash distributions to the owners in a taxable year. To the extent that a Bond is purchased at a price that exceeds the sum of the Issue Price of that Bond and all original issue discount previously includible by any holder in gross income (the "revised issue price" of that Bond), the subsequent accrual of original issue discount to that purchaser must be reduced to reflect that premium.

The amount of the original issue discount that accrues on the Bonds each taxable year will be reported annually to the Service and to the owners. The portion of the original issue discount included in each owner's gross income while the owner holds the Bonds will increase the adjusted tax basis of the Bonds in the hands of such owner.

Amortizable Bond Premium. An owner that purchases a Bond for an amount that is greater than its stated redemption price at maturity will be considered to have purchased the Bond with "amortizable bond premium" equal in amount to such excess. The owner may elect to amortize such premium using a constant yield method over the remaining term of the Bond and may offset interest otherwise required to be included in respect of the Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Bond held by an owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Bond. However, if the Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income

from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Owners of the Bonds should consult with their own tax advisor concerning this additional tax, as it may apply to interest earned on the Bonds as well as gain on the sale of a Bond.

Defeasance. Persons considering the purchase of a Bond should be aware that the bond documents permit the Authority under certain circumstances to deposit monies or securities with the Trustee, resulting in the release of the lien of the Indenture (a “defeasance”). A defeasance could result in the realization of gain or loss by the owner of a Bond for federal income tax purposes, without any corresponding receipt of monies by the owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange. Owners of Bonds are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Backup Withholding. Under section 3406 of the Code, an owner of the Bonds who is a United States person may, under certain circumstances, be subject to “backup withholding” of current or accrued interest on the Bonds or with respect to proceeds received from a disposition of the Bonds. This withholding applies if such owner of Bonds: (i) fails to furnish to the payor such owner’s social security number or other taxpayer identification number (“TIN”); (ii) furnishes the payor an incorrect TIN; (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain owners of the Bonds. Owners of the Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such an owner of the Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the owner provides a statement to the payor certifying, under penalties of perjury, that such owner is not a United States person and providing the name and address of such owner; (ii) such interest is treated as not effectively connected with the owner’s United States trade or business; (iii) interest payments are not made to a person within a foreign country that the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such owner is not a bank receiving interest on the Bonds pursuant to a loan agreement entered into in the ordinary course of the bank’s trade or business.

Assuming payments on the Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to owners or intermediaries who have

furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the Bonds, including the applicability and effect of any state, local, or foreign tax laws, and of any proposed changes in applicable laws.

### **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 OPINION**

*Upon issuance of the Bonds, Rutan & Tucker LLP, Bond Counsel, proposes to render its final approving opinion 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 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 a resolution of the Oversight Board adopted on \_\_\_\_\_, 2016 (the "Oversight Board Resolution"), which action was approved by the DOF on \_\_\_\_\_, 2016, and in accordance with the terms and conditions of a Second Supplemental Indenture of Trust, dated as of June 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 and constitute valid and binding special obligations of the Successor Agency, are issued on a subordinate basis to the \$65,600,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta 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”).

The Bonds are being issued to refinance the Prior Agency’s \$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 Bonds”) and the \$28,850,000 La Quinta Financing Authority, Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the “2011 Taxable Housing Bonds”) the proceeds of which were loaned 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”) (collectively, the “Refunded Bonds”).

The Bonds are payable from and secured by the Pledged Tax Revenues, as defined in the Indenture, 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.

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 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**  
**MUNICIPAL 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. La Quinta 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. In May 2016, the City Council approved plans for the development of a new 140-room luxury hotel and spa, 29 residential units, and a shared services/convention center building at the SilverRock site. The new development is expected to be completed in the spring or fall of 2019.

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
Residential					
<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**

Fiscal Year	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
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, Intrastate 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**