



## Successor Agency Staff Report

DATE: June 18, 2014 UNFINISHED BUSINESS  
SUBJECT: APPROVAL OF REFINANCING FORMER AGENCY TAX ALLOCATION BONDS  
FROM: David H. Ready, City Manager  
BY: Suzanne Harrell, Successor Agency Financial Advisor

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### SUMMARY:

In May 2014, the Successor Agency and the Oversight Board took the first step required to refinance the former Redevelopment Agency's 2001 Housing Tax Allocation Bonds, Merged Project No. 1 Tax Allocation Bonds, 2004 Series A and Merged Project No. 2 Tax Allocation Bonds, 2004 Series B. The Successor Agency and Oversight Board approved the issuance of tax allocation refunding bonds and a form of an Indenture of Trust for the bonds. The Oversight Board action has been submitted for approval by the Department of Finance, and approval is expected by the beginning of July.

The adoption of this resolution will be the final action required for issuance of the refunding bonds. The \$3.3 million savings over 20 years expected from refunding 3 series of outstanding bonds issued by the former agency will be shared among affected taxing agencies.

### RECOMMENDATION:

Adopt Resolution No. \_\_\_\_\_, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, ACTING SOLELY IN ITS CAPACITY AS SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY, CONFIRMING THE ISSUANCE OF 2014 SUBORDINATE TAX ALLOCATION REFUNDING BONDS PURSUANT TO INDENTURE OF TRUST, APPROVING BOND PURCHASE AGREEMENT AND PRELIMINARY AND FINAL OFFICIAL STATEMENTS AND PROVIDING OTHER MATTERS RELATING THERETO."

### STAFF ANALYSIS:

When the former Community Redevelopment Agency of the City of Palm Springs was dissolved as a result of the Dissolution Act, the Agency had 6 series of tax allocation bonds previously issued and outstanding. Those bonds are:

- 2001 Housing Tax Allocation Bonds
- 2004 Series A Merged Project No. 1 Tax Allocation Refunding Bonds
- 2004 Series B Merged Project No. 2 Tax Allocation Refunding Bonds
- 2007 Series A Merged Project No. 1 Tax Allocation Bonds

- 2007 Series B Merged Project No. 1 Taxable Tax Allocation Bonds
- 2007 Series C Merged Project No. 2 Taxable Tax Allocation Bonds

The Dissolution Act authorizes refinancing of the former Agency debt. Specifically, California Redevelopment Law (CRL) authorizes the Successor Agency to refinance outstanding bonds and other obligations of the former Agency, subject to the conditions contained in CRL §34177.5, which primarily relate to demonstrable debt service savings and no extension of maturity. Upon review, staff determined that refinancing of certain of the former Agency's indebtedness is in its best interest and that the statutory prerequisites can be met if the refinancing is approved. Additionally, the staff costs related to refunding proceedings can be recovered as authorized by CRL §34177.5(f).

In May 2014, the Successor Agency took the first step required under the Dissolution Act for refinancing these obligations by approving the issuance of refunding bonds and the form of an Indenture for the refunding bonds. The Oversight Board approved the Successor Agency's action. The Department of Finance (DOF) is currently reviewing the Oversight Board action and, once the review is complete, the Successor Agency will be authorized to proceed with refinancing so long as the requirements of CRL §34177.5(a)(1) are ultimately met when the refunding bonds are sold.

**Refunding Analysis**

The 2001 Housing Tax Allocation Bonds, the 2004 Series A Merged Project No. 1 Tax Allocation Refunding Bonds and the 2004 Series B Merged Project No. 2 Tax Allocation Refunding Bonds are currently subject to optional call and may be refinanced at a savings. These savings will increase the amount of "residual" property tax (or tax increment) available to pay existing enforceable obligations of the Successor Agency or to be redistributed to other taxing agencies.

The amounts outstanding, maturity dates and interest rates of these three series are shown below.

	<u>2001 Bonds</u>	<u>2004 Series A Bonds</u>	<u>2004 Series B Bonds</u>	<u>Total</u>
Outstanding	\$2,965,000	\$9,905,000	\$7,385,000	\$20,255,000
Final Maturity	2021	2034	2034	2034
Interest Rate	5.43%	5.44%	5.71%	5.67%

The Successor Agency's Financial Advisor (Harrell & Company) estimates that refinancing these series of bonds at an effective rate of 3.9% will reduce the Successor Agency's annual debt service by approximately \$258,000 annually through 2021 and \$105,000 thereafter through 2034, a total of \$3.3 million. This represents an overall 11% reduction in debt service compared to existing payments. The repayment is scheduled to occur over the same term as the existing bonds (7 years for the 2001 Bonds and 20

years for the 2004 Bonds). No extension of maturity is permitted under the Dissolution Act.

Because each series of bonds has differing maturity dates and repayment schedules, the refinancing will be structured so that each annual payment is proportionally reduced compared to the outstanding payments. That is why the savings in the earlier years are greater, since the existing debt service is greater while the 2001 Bonds are outstanding.

The other debt issues of the former Agency were reviewed for refinancing potential, but due to either interest rate or available call dates, they did not meet the statutory refinancing requirements of CRL. Successor Agency staff will continue to monitor the potential for refinancing the other outstanding series of Agency bonds.

The City currently receives approximately 27% of the residual property tax. Assuming that the savings are not applied to other enforceable obligations of the Successor Agency, the City's share of the additional residual property tax generated by the annual debt service savings would be approximately \$69,000 through 2021, and \$28,000 thereafter. The remainder of the savings would generally go to the School District, the College District and other taxing agencies.

Between the time that the refinancing is approved by the Successor Agency and the time that the Successor Agency can actually enter the market to sell the refunding bonds based on the CRL requirements, interest rates could increase, and debt service savings may be reduced. Therefore, the current estimate of a \$3.3 million savings to be shared among taxing agencies over the next 20 years is an estimate at this time.

### **Authorization Process**

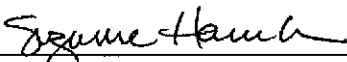
The Dissolution Act has added a number of steps to the traditional refinancing process, and requires more time to actually get the bonds to market. The Oversight Board resolution affirming the Successor Agency's action to refund the bonds was submitted to the DOF for conformity with the provisions of CRL 34177.5(a)(1). DOF can take up to 65 days from the time the Oversight Board resolution is submitted to approve the financing. Staff expects to receive the DOF approval by the beginning of July, and has now prepared the final action in the refinancing process for the Board to consider.


This final action will approve the distribution of the preliminary official statement for the bonds, approve entering into a purchase contract with Stifel Nicolaus & Company, Incorporated to underwrite the bonds and authorize any other actions needed in connection with the bonds. The Preliminary Official Statement is included with this report for the Board's review, and the form of the Bond Purchase Agreement is on file with the City Clerk. The resolution authorizes the City Manager, as the chief administrative officer of the Successor Agency, to enter into the Bond Purchase Contract so long as the principal amount of the Bonds does not exceed \$20 million, the effective interest rate is less than 4.25% and the underwriters' compensation is not more than 0.70% of the principal amount of the Bonds.

Nor further Oversight Board or DOF approvals will be needed. Pending the receipt of the DOF approval of the Oversight Board's May 8 action, the bonds will be sold in mid-July, with a bond closing in early August.

FISCAL IMPACT:

The increase in the residual property tax (or former tax increment) that gets distributed to all the taxing entities (including the City) will increase by approximately \$3.3 million over the remaining 20 years that the the 2001 Bonds, the 2004 Series A Bonds and 2004 Series B Bonds were outstanding. To the extent the incremental residual property tax is not used for other Successor Agency enforceable obligations, it will be distributed to taxing agencies, including the City, through the regular AB 1484 distribution process.

  
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Suzanne Harrell  
Successor Agency Financial Advisor

  
\_\_\_\_\_  
Geoffrey Kiehl  
Director of Finance

  
\_\_\_\_\_  
David H. Ready  
City Manager

  
\_\_\_\_\_  
Douglas C. Holland  
City Attorney

Attachments:

Resolution  
Preliminary Official Statement

**RESOLUTION NO. \_\_\_\_\_****A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
PALM SPRINGS, ACTING SOLELY IN ITS CAPACITY AS  
SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY  
REDEVELOPMENT AGENCY, CONFIRMING THE ISSUANCE  
OF 2014 SUBORDINATE TAX ALLOCATION REFUNDING  
BONDS PURSUANT TO INDENTURE OF TRUST, APPROVING  
BOND PURCHASE AGREEMENT AND PRELIMINARY AND  
FINAL OFFICIAL STATEMENTS AND PROVIDING OTHER  
MATTERS RELATING THERETO**

**WHEREAS**, the Community Redevelopment Agency of the City of Palm Springs (the "Former Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (the "Redevelopment Law");

**WHEREAS**, redevelopment plans for the redevelopment project areas designated "Palm Springs Merged Redevelopment Project No. 1" and "Palm Springs Merged Redevelopment Project No. 2" in the City of Palm Springs, California, were adopted in compliance with all requirements of the Redevelopment Law;

**WHEREAS**, pursuant to Section 34172(a) of the California Health and Safety Code (unless otherwise noted, all Section references hereinafter being to such Code), the Former Agency has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173, the City of Palm Springs has become the successor entity to the Former Agency (the "Successor Agency");

**WHEREAS**, prior to the dissolution of the Former Agency, the Former Agency issued its Community Redevelopment Agency of the City of Palm Springs 2001 Housing Tax Allocation Bonds in the initial principal amount of \$5,805,000 (the "2001 Housing Bonds"), its Community Redevelopment Agency of the City of Palm Springs Merged Project No. 1 Tax Allocation Refunding Bonds, 2004 Series A, in the initial principal amount of \$14,240,000 (the "2004A Bonds") and its Community Redevelopment Agency of the City of Palm Springs Merged Project No. 2 Tax Allocation Refunding Bonds, 2004 Series B, in the initial principal amount of \$9,075,000 (the "2004B Bonds" and, together with the 2001 Housing Bonds and the 2004A Bonds, the "Prior Bonds");

**WHEREAS**, Section 34177.5(a)(1) authorizes the Successor Agency to undertake proceedings for the refunding of outstanding bonds and other obligations of the Former Agency in order to achieve debt service savings within the parameters set forth in Section 34177.5(a)(1) (the "Savings Parameters"), and to issue bonds for such purpose pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law")

**WHEREAS**, the Successor Agency determined in its Resolution No. 23548, adopted May 7, 2014 (the "Resolution of Issuance"), that it will achieve debt service

savings in compliance with the Savings Parameters as evidenced by the analysis prepared by its Financial Advisor, Harrell & Company, Advisors, describing potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the refunding of the Prior Bonds (the "Debt Service Savings Analysis");

**WHEREAS**, the Successor Agency has further determined that the potential debt service savings evidenced by the Debt Service Savings Analysis can be achieved by the issuance by the Successor Agency of its Palm Springs Community Redevelopment Agency 2014 Subordinate Tax Allocation Refunding Bonds (the "Refunding Bonds") pursuant to the Redevelopment Law, the Refunding Law and the form of Indenture of Trust, dated as of May 1, 2014, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Indenture") approved by the Successor Agency pursuant to the Resolution of Issuance;

**WHEREAS**, pursuant to Section 34179, an oversight board (the "Oversight Board") has been established for the Successor Agency and the Successor Agency by the Resolution of Issuance approved the Debt Service Savings Analysis for submission to the Oversight Board and requested that the Oversight Board direct the Successor Agency to undertake such refunding proceedings by the issuance of the Refunding Bonds;

**WHEREAS**, pursuant to Section 34177.5(f), the Oversight Board by Resolution No. 022, adopted May 8, 2014, directed the Successor Agency to undertake such refunding proceedings;

**WHEREAS**, the Successor Agency by the Resolution of Issuance also approved the issuance of the Refunding Bonds and requested the Oversight Board to approve the issuance, sale and delivery of the Refunding Bonds, as authorized by Section 34177.5(f) and the Indenture;

**WHEREAS**, the Oversight Board by Resolution No. 022 also approved the issuance, sale and delivery of the Refunding Bonds by the Successor Agency and Resolution No. 022 has been submitted to the California Department of Finance for its approval of such approval by the Oversight Board;

**WHEREAS**, the Agency has determined to sell the Refunding Bonds to Stifel, Nicolaus & Company, Inc. (the "Underwriter") pursuant to a Bond Purchase Agreement between the Successor Agency and the Underwriter (the "Bond Purchase Agreement"), the form of which is on file with the City Clerk as secretary to the Successor Agency (the "Secretary");

**WHEREAS**, the Successor Agency has caused to be prepared a form of Official Statement describing the Refunding Bonds and containing material information relating to the Refunding Bonds, the preliminary form of which is on file with the Secretary;

**WHEREAS**, the Successor Agency, with the aid of its staff, has reviewed the Bond Purchase Agreement and the Official Statement and wishes at this time to approve the foregoing as in the public interests of the Successor Agency and applicable taxing entities;

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Palm Springs, acting solely in its capacity as the Successor Agency to the Palm Springs Community Redevelopment Agency, as follows:

**Section 1. Confirmation of Approval of Issuance of the Bonds.** The Successor Agency hereby confirms its actions in the Resolution of Issuance authorizing and approving the issuance of the Refunding Bonds pursuant to the Indenture and under the Redevelopment Law and the Refunding Law.

**Section 2. Sale of the Refunding Bonds.** The Successor Agency hereby approves the sale of the Refunding Bonds to the Underwriter pursuant to and in accordance with the Bond Purchase Agreement. Each of the Mayor, as the presiding officer of the Successor Agency, or the City Manager of the City of Palm Springs, as the chief administrative officer of the Successor Agency (each, an "Authorized Officer") is hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to sell the Refunding Bonds to the Underwriter and to execute and deliver the Bond Purchase Agreement, subject to the terms and conditions of the Bond Purchase Agreement; provided, however, that the principal amount of the Bonds shall not exceed \$20,000,000 (as provided in the Resolution of Issuance), the true interest cost of the Bonds shall not exceed 4.25% and the Underwriter's discount shall not exceed 0.70%, excluding original issue discount.

**Section 3. Approval of Official Statement.** The Successor Agency hereby approves the preliminary Official Statement describing the Refunding Bonds, in substantially the form on file with the Secretary. Distribution of the preliminary Official Statement by the Underwriter is hereby approved, and, prior to the distribution of the preliminary Official Statement, either Authorized Officer is authorized and directed, on behalf of the Successor Agency, to deem the preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by an Authorized Officer, and such information permitted to be excluded from the preliminary Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the Refunding Bonds, and the Authorized Officer is authorized and directed to execute and deliver the final Official Statement for and on behalf of the Successor Agency, to deliver to the Underwriter a certificate with respect to the information set forth therein and to deliver to the Underwriter a Continuing Disclosure Certificate substantially in the form appended to the final Official Statement.

**Section 4. Official Actions.** All actions heretofore taken by the officers and agents of the Successor Agency with respect to the issuance of the Refunding Bonds are hereby approved, confirmed and ratified. The Authorized Officers, the Finance Director/Treasurer of the City of Palm Springs as the treasurer of the Successor Agency, the City Attorney as general counsel of the Successor Agency, the Secretary and any and all other officers of the Successor Agency are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, including requisitions for the payment of costs of issuance of the Refunding Bonds, agreements, including agreements in customary form providing for the investment of the proceeds of the Refunding Bonds, notices, consents, and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the sale, issuance and delivery of the Refunding Bonds to the Underwriter.

**Section 5. California Department of Finance Approval.** Notwithstanding anything herein to the contrary, this Resolution shall not take effect unless and until the California Department of Finance issues its letter approving Oversight Board Resolution No. 022.

**PASSED AND ADOPTED** by the City Council of the City of Palm Springs acting as the Successor Agency to the Palm Springs Community Redevelopment Agency this 18th day of June, 2014, by the following vote:

AYES:

NOES:

ABSENT:

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Chair

Attest:

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Secretary



This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of such jurisdiction.

**NEW ISSUE – BOOK-ENTRY-ONLY**

**RATINGS**

S&P: “\_”

(See “CONCLUDING INFORMATION - Rating on the Bonds” herein)

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “LEGAL MATTERS - Tax Matters” herein.*

**RIVERSIDE COUNTY**

**STATE OF CALIFORNIA**

**\$18,000,000\***

**SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY  
REDEVELOPMENT AGENCY  
2014 SUBORDINATE TAX ALLOCATION REFUNDING BONDS**

**Dated: Date of Delivery**

**Due: September 1 as Shown on the Inside Front Cover Page**

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

Proceeds from the sale of the Successor Agency to the Palm Springs Community Redevelopment Agency (the “Successor Agency”) 2014 Subordinate Tax Allocation Refunding Bonds (the “Bonds”) will be used to (i) refinance certain outstanding obligations of the Community Redevelopment Agency of the City of Palm Springs (the “Former Agency”), (ii) fund a debt service reserve fund for the Bonds, and (iii) provide for the costs of issuing the Bonds.

The Bonds will be issued under an Indenture of Trust, dated as of June 1, 2014 (the “Indenture”), by and between the Successor Agency and U.S. Bank National Association, as Trustee (the “Trustee”). The Bonds are special obligations of the Successor Agency and are payable solely from and secured by a pledge of certain tax increment revenues of the Former Agency’s Merged Project No. 1 and Merged Project No. 2, on a subordinate basis to certain obligations of the Former Agency to remain outstanding, and a pledge of amounts in certain funds and accounts established under the Indenture (see “SECURITY FOR THE BONDS” and “RISK FACTORS”).

Interest on the Bonds is payable on March 1, 2015 and semiannually thereafter on September 1 and March 1 of each year until maturity. The Bonds are subject to optional and sinking account redemption prior to maturity (see “THE BONDS - General Provisions” and “THE BONDS - Redemption” herein).

The Bonds are special obligations of the Successor Agency. The Bonds do not constitute a debt or liability of the City of Palm Springs, the County of Riverside, the State or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City of Palm Springs, the County of Riverside, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Successor Agency has no taxing power.

The Bonds are being offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on for the Successor Agency by Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Los Angeles, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about \_\_\_\_\_, 2014 (see “APPENDIX G - THE BOOK-ENTRY SYSTEM” herein).

The date of the Official Statement is \_\_\_\_\_, 2014.

Stifel

\* Preliminary, subject to change.

**\$18,000,000\***  
**SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY  
REDEVELOPMENT AGENCY**  
**2014 SUBORDINATE TAX ALLOCATION REFUNDING BONDS**

**MATURITY SCHEDULE**

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>			<u>CUSIP®†</u>
<u>September 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>( )</u>
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					

\* Preliminary, subject to change.

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## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the Successor Agency in any press release and in any oral statement made with the approval of an authorized officer of the Successor Agency or any other entity described or referenced herein, 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.

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

**Involvement of Underwriter.** 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 a 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.

**Information Subject to Change.** The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement 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.

**Stabilization of Prices.** In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

**Web Page.** The City of Palm Springs 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.

**SUCCESSOR AGENCY TO THE  
PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY  
PALM SPRINGS, CALIFORNIA**

**CITY COUNCIL AND SUCCESSOR AGENCY BOARD**

Steve Pougnet, *Mayor*  
Rick Hutcheson, *Mayor Pro Tem*  
Ginny Foat, *Councilmember*  
Paul Lewin, *Councilmember*  
Christopher Mills, *Councilmember*

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**CITY AND SUCCESSOR AGENCY STAFF**

David H. Ready, Esq., Ph.D., *City Manager*  
James L. Thompson, *Chief of Staff/City Clerk*  
Geoffrey S. Kiehl, *Director of Finance and Treasurer*  
John S. Raymond, *Director of Community & Economic Development*  
Douglas C. Holland, *City Attorney*

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**PROFESSIONAL SERVICES**

**Bond Counsel**

Jones Hall  
A Professional Law Corporation  
San Francisco, California

**Disclosure Counsel**

Fulbright & Jaworski LLP, a member of Norton Rose Fulbright  
Los Angeles, California

**Financial Advisor**

Harrell & Company Advisors, LLC  
Orange, California

**Trustee**

U.S. Bank National Association  
Los Angeles, California

**Escrow Bank**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

**Verifications**

Grant Thornton LLP  
Minneapolis, Minnesota

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# OFFICIAL STATEMENT

**\$18,000,000\***

## **SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY 2014 SUBORDINATE TAX ALLOCATION REFUNDING BONDS**

This Official Statement which includes the cover page and appendices (the "Official Statement") is provided to furnish certain information concerning the sale of the Successor Agency to the Palm Springs Community Redevelopment Agency 2014 Subordinate Tax Allocation Refunding Bonds (the "Bonds"), in the aggregate principal amount of \$18,000,000\*.

### INTRODUCTION

*This Introduction contains only a brief description of this issue and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

#### **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"), Section 34177.5 of the Community Redevelopment Law of the State and an Indenture of Trust dated as of June 1, 2014 (the "Indenture") by and between the Successor Agency to the Palm Springs Community Redevelopment Agency (the "Successor Agency") and U.S. Bank National Association, as trustee (the "Trustee").

The Bonds are being issued to refinance the following obligations of the Community Redevelopment Agency of the City of Palm Springs (the "Former Agency"):

- 2001 Housing Tax Allocation Bonds (the "2001 Bonds"),
- Merged Project No. 1 Tax Allocation Refunding Bonds, 2004 Series A (the "2004A Bonds"), and
- Merged Project No. 2 Tax Allocation Refunding Bonds, 2004 Series B (the "2004B Bonds").

The 2001 Bonds, the 2004A and the 2004B Bonds are sometimes collectively referred to herein as the "Refunded Bonds."

See "THE FINANCING PLAN" herein.

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\* Preliminary, subject to change.

Following the issuance of the Bonds, the following tax allocation bonds of the Former Agency will remain outstanding and payable from Tax Revenues (as defined herein) on a basis senior to the Bonds:

- Merged Project No. 1 Tax Allocation Bonds, 2007 Series A (the “2007A Bonds”), currently outstanding in the principal amount of \$12,770,000;
- Merged Project No. 1 Taxable Tax Allocation Bonds, 2007 Series B (the “2007B Bonds”), currently outstanding in the principal amount of \$1,910,000; and
- Merged Project No. 2 Taxable Tax Allocation Bonds, 2007 Series C (the “2007C Bonds”), currently outstanding in the principal amount of \$5,985,000.

The 2007A Bonds, the 2007B Bonds and the 2007C Bonds are sometimes collectively referred to herein as the “Senior Obligations” and the respective indentures of trust providing for the issuance of the Senior Obligations are collectively referred to herein as the “Senior Obligation Indentures.” See “SECURITY FOR THE BONDS.”

### **The Successor Agency and the Former Agency**

The Former Agency was established in 1973 by the City Council (the “City Council”) of the City of Palm Springs (the “City”) pursuant to the Community Redevelopment Law of the State, constituting Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State (the “Redevelopment Law”). On June 29, 2011, Assembly Bill No. 26 (“AB X1 26”) was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 (“AB X1 27”). A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4<sup>th</sup> 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. The California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 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 Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 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 (as amended from time to time, the “Dissolution Act”).

On January 4, 2012, pursuant to Resolution No. 23071 and Section 34173 of the Dissolution Act, the City Council elected to serve as successor agency to the Former Agency. Section 34173(g) of the Dissolution Act expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City (see “THE SUCCESSOR AGENCY” herein).

The Successor Agency is governed by a five-member board consisting of the members of the City Council. The City Manager acts as the Successor Agency’s Executive Director (see “THE SUCCESSOR AGENCY” herein).

## **The City**

The City was incorporated as a general law city on April 20, 1938. It became a charter city on July 12, 1994. The City encompasses 96.2 square miles in central Riverside County. The City is located 108 miles east of downtown Los Angeles and 120 miles west of the Arizona border. Neighboring communities include Palm Desert, Rancho Mirage, Desert Hot Springs and Cathedral City (see "APPENDIX C - CITY OF PALM SPRINGS INFORMATION STATEMENT" herein).

## **Tax Allocation Financing Under the Dissolution Act**

Prior to the enactment of AB X1 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 agency obligations.

Under the Dissolution Act, moneys will be 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 using current assessed values on the last equalized roll on August 20 each year. See "SECURITY FOR THE BONDS - Tax Allocation Financing" herein for additional information.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Tax Revenues, as defined herein, pledged to pay the Bonds 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, and use of such funds to pay debt service on the Bonds is subordinate in priority to the Senior Obligations (see "Security for the Bonds" below).

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedules (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions" and "SECURITY FOR THE BONDS - Recognized Obligation Payment Schedules").

## **The Project Areas**

The Former Agency created 10 individual redevelopment projects, and in 2000 created 2 separate merged project areas incorporating all 10 redevelopment projects.

The Former Agency's Merged Project No. 1 ("Merged Project No. 1") was created on May 31, 2000 pursuant to an amendment to the redevelopment plans for the Former Agency's Central Business District Redevelopment Project, North Palm Canyon Redevelopment Project, South Palm Canyon Redevelopment Project, Ramon-Bogie Redevelopment Project, Oasis Redevelopment Project, Highland-Gateway



Redevelopment Project and Redevelopment Project No. 9. In total, Merged Project No. 1 encompasses 1,894 acres of commercial, residential, industrial and hotel development.

The Former Agency's Merged Project No. 2 ("Merged Project No. 2") was also created on May 31, 2000 pursuant to an amendment to the redevelopment plans for the Former Agency's Baristo-Farrell Redevelopment Project, Canyon Redevelopment Project and Tahquitz-Andreas Redevelopment Project. In total, Merged Project No. 2 encompasses 1,393 acres of commercial, residential, and hotel development.

Merged Project No. 1 and Merged Project No. 2 are referred to herein as the "Project Areas," an individual redevelopment project is referred to herein as a "Redevelopment Project" or when referring to more than one individual redevelopment project, "Redevelopment Projects," and the Redevelopment Plans for all the individual redevelopment projects comprising the Project Areas are referred to herein as the "Redevelopment Plans."

See "The Project Areas" herein for additional information on the Project Areas and "The Successor Agency" herein for additional information on the Redevelopment Plans.

### **Security for the Bonds**

For the security of the Bonds, the Successor Agency grants a pledge of and lien on all of the Tax Revenues, subject to the prior pledge, security interest and lien on Tax Revenues of debt service on the Senior Obligations. "Tax Revenues" are defined under the Indenture as taxes that were eligible for allocation to the Former Agency with respect to the Project Areas and are allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws and that are paid to the Successor Agency for deposit into the Redevelopment Obligation Retirement Fund. By definition, Tax Revenues are net of the same amounts that were payable by the Former Agency pursuant to any existing Tax Sharing Agreements and amounts that were payable by the Former Agency as Statutory Tax Sharing. See "APPENDIX B - PROJECTED TAX REVENUES" herein.

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 roll of the Project Areas, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Successor Agency's Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Successor Agency's Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution. Moneys transferred by the County Auditor-Controller to the Successor Agency will be deposited into the Successor Agency's Redevelopment Obligation Retirement Fund will be transferred by the Successor Agency to the trustee for the Senior Obligations for deposit first, in payment of debt service on the Senior Obligations for the bond year as provided in the Senior Obligations Indentures, and then to the Trustee for deposit in the Debt Service Fund established under the Indenture. See "SECURITY FOR THE BONDS - Recognized Obligation Payment Schedules" herein.

**The Bonds are special obligations of the Successor Agency. The Bonds do not constitute a debt or liability of the City of Palm Springs, the County of Riverside, the State or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City of Palm Springs, the County of Riverside, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Successor Agency has no taxing power.**

## Legal Matters

All legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds are described more fully under the heading "LEGAL MATTERS - Tax Matters" herein. Certain legal matters will be passed on for the Successor Agency by Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Los Angeles, California, as Disclosure Counsel and Woodruff, Spradlin & Smart as Successor Agency Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, A Professional Law Corporation, Newport Beach, California.

## Professional Services

The Trustee will act on behalf of the Bondholders for the purpose of receiving all moneys required to be paid to the Trustee, to allocate, use and apply the same, to hold, receive and disburse the Tax Revenues and other funds held under the Indenture, and otherwise to hold all the offices and perform all the functions and duties provided in the Indenture to be held and performed by the Trustee.

Harrell & Company Advisors, LLC, Orange, California (the "Financial Advisor") advised the Successor Agency as to the financial structure and certain other financial matters relating to the Bonds and assisted the Successor Agency with the preparation of this Official Statement.

Fees payable to Bond Counsel, Disclosure Counsel, Underwriter's Counsel, and the Financial Advisor are contingent upon the sale and delivery of the Bonds.

## Financial Statements of the Successor Agency

After the Dissolution Act, the activities of the Successor Agency are reported as a fiduciary trust fund, as part of the City's Comprehensive Annual Financial Report, which is in accordance with guidance issued by the State Department of Finance and available on its website as of February 4, 2013, interpreting Section 34177(n) of the California Health and Safety Code concerning certain successor agency postaudit obligations.

Pursuant to the Dissolution Act, the housing assets, housing obligations, and housing activities of the Former Agency have been transferred to the City after the dissolution date and have been reported in a special fund in the City's Comprehensive Annual Financial Report.

The City's financial statements for the fiscal year ended June 30, 2013, attached hereto as "APPENDIX D" have been audited by Lance, Soll & Lunghard, LLP, Certified Public Accountants, Brea, California. The City's audited financial statements are public documents and are included within this Official Statement without the prior approval of the auditor. *Lance, Soll & Lunghard, LLP has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Lance, Soll & Lunghard, LLP also has not performed any procedures relating to this Official Statement.*

## Offering of the Bonds

**Authority for Issuance.** The Bonds are to be issued and secured pursuant to the Indenture, as authorized by Resolution No. \_\_\_\_\_ of the Successor Agency adopted on May 7, 2014, the Bond Law, the Dissolution Act and the Redevelopment Law. The Successor Agency to the Palm Springs Community Redevelopment Agency Oversight Board (the "Oversight Board") approved the action taken by the Successor Agency to refinance the Refunded Bonds on May 8, 2014. The State Department of Finance approved the Oversight Board action by letter dated \_\_\_\_\_, 2014.

**Offering and Delivery of the Bonds.** The Bonds are being sold to Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about \_\_\_\_\_, 2014.

### **Information Concerning this Official Statement**

This Official Statement speaks only as of its date. The information set forth herein has been obtained by the Successor Agency with the assistance of the Financial Advisor, from sources which are believed to be reliable and such information is believed to be accurate and complete, but such information is not guaranteed as to accuracy or completeness, nor has it been independently verified and is not to be construed as a representation by the Financial Advisor, the Underwriter or the Disclosure Counsel. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended as such and are not to be construed as representations of fact. The information and expressions of opinion herein are subject to change without notice and the delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the Successor Agency since the date hereof.

**Availability of Legal Documents.** The summaries and references contained herein with respect to the Indenture, the Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Financial Advisor, Harrell & Company Advisors, LLC, 333 City Boulevard West, Suite 1430, Orange, California 92868, telephone (714) 939-1464. Copies of these documents may be obtained after delivery of the Bonds from the Successor Agency at 3200 E. Tahquitz Canyon Way, Palm Springs, California 92262.

# THE BONDS

## General Provisions

**Repayment of the Bonds.** Interest on the Bonds is payable at the rates per annum set forth on the inside front cover page hereof. Interest on the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months.

Interest on the Bonds will be payable on March 1 and September 1 (each an "Interest Payment Date"), commencing March 1, 2015, and thereafter from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after the close of business on the 15<sup>th</sup> calendar day of the month preceding such Interest Payment Date (each, a "Record Date") and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Closing Date; *provided, however*, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Bonds are authorized to be issued in denominations of \$5,000 or any integral multiple of \$5,000, and will be dated as of the date of their original delivery.

**Transfer or Exchange of Bonds.** Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture, upon surrender of such Bond for cancellation at the Principal Corporate Trust Office of the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Trustee shall authenticate and deliver a new Bond or Bonds for like aggregate principal amount and of like maturity. The Trustee may require the payment by the Bondholder requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The foregoing provisions regarding the transfer and exchange of the Bonds apply only if the book-entry-only system is discontinued. So long as the Bonds are in the book-entry system of DTC as described below, the rules of DTC will apply for the transfer and exchange of Bonds.

**Book-Entry-Only 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. Interest on and principal of the Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants, which will in turn remit such interest and principal to Beneficial Owners of the Bonds (see "APPENDIX G - THE BOOK-ENTRY SYSTEM" herein). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Trustee will send any notices to Bond Owners only to DTC.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, if a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture. The Successor Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered as described in the Indenture.

## Redemption

**Optional Redemption.** The Bonds maturing on or before September 1, 2024 are not subject to optional redemption prior to maturity. The Bonds maturing on and after September 1, 2025, are subject to redemption, at the option of the Successor Agency on any date on or after September 1, 2024, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

**Sinking Account Redemption.** The Term Bonds maturing September 1, 20\_\_, shall also be subject to mandatory redemption in part by lot on September 1, and on September 1 in each year commencing September 1, 20\_\_, to and including September 1, 20\_\_, from Sinking Account payments made by the Successor Agency at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased in whole or in part pursuant to the provisions of the Indenture described below, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; *provided, however,* that if some but not all of the Bonds have been redeemed pursuant to the optional redemption provisions described above, the total amount of all future Sinking Account payments shall be reduced by the aggregate principal amount of Bonds so redeemed, to be allocated among the Sinking Account payments as are thereafter payable on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency (notice of which determination shall be given by the Successor Agency to the Trustee).

<b>Bonds Maturing September 1, 20__</b>	
<b>Sinking Account Redemption Date (September 1)</b>	<b>Principal Amount To Be Redeemed or Purchased</b>

In lieu of redemption of Term Bonds pursuant to the Indenture, amounts on deposit as Sinking Account payments may also be used and withdrawn by the Trustee, at the written direction of the Successor Agency, at any time for the purchase of Term Bonds otherwise required to be redeemed on the following September 1 at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Successor Agency may in its discretion determine. The par amount of any of the Term Bonds so purchased by the Successor Agency and surrendered to the Trustee for cancellation in any twelve-month period ending on July 1 in any year shall be credited towards and shall reduce the par amount of the Term Bonds otherwise required to be redeemed on the following September 1.

**Notice of Redemption.** The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least 20 but not more than 60 days prior to the redemption date, to (i) to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to the Information Services; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall require that such Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

So long as the book-entry system is used for the Bonds, the Trustee will give any notice of redemption or any other notices required to be given to registered Owners of Bonds only to DTC. Any failure of DTC to advise any Participant, or of any Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on such notice. Beneficial Owners may desire to make arrangements with a Participant so that all notices of redemption or other communications to DTC which affect such Beneficial Owners, and notification of all interest payments, will be forwarded in writing by such Participant.

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

**Partial Redemption of Bonds.** In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new Bond or Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

**Effect of Redemption.** From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the Bonds so called for redemption shall have been duly deposited with the Trustee, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

**Manner of Redemption.** Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Successor Agency thereof to the extent Bonds are no longer held in book-entry form. In the event of redemption by lot of Bonds, the Trustee shall assign to each Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such Bond. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

## Scheduled Debt Service on the Bonds

The following is the scheduled semi-annual and annual Debt Service on the Bonds.

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
3/1/2015				
9/1/2015				
3/1/2016				
9/1/2016				
3/1/2017				
9/1/2017				
3/1/2018				
9/1/2018				
3/1/2019				
9/1/2019				
3/1/2020				
9/1/2020				
3/1/2021				
9/1/2021				
3/1/2022				
9/1/2022				
3/1/2023				
9/1/2023				
3/1/2024				
9/1/2024				
3/1/2025				
9/1/2025				
3/1/2026				
9/1/2026				
3/1/2027				
9/1/2027				
3/1/2028				
9/1/2028				
3/1/2029				
9/1/2029				
3/1/2030				
9/1/2030				
3/1/2031				
9/1/2031				
3/1/2032				
9/1/2032				
3/1/2033				
9/1/2033				
3/1/2034				
9/1/2034				
Total				

## THE FINANCING PLAN

### The Refunding Program

On the Delivery Date, the Successor Agency will irrevocably deposit a portion of the proceeds of the Bonds with The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), pursuant to separate escrow deposit and trust agreements, each dated as of June 1, 2014 (the "Escrow Agreements") between the Successor Agency and the Escrow Bank for each series of the Refunded Bonds. The deposit, together with other funds deposited with the Escrow Bank, will be held uninvested and will be sufficient to pay the principal and interest on the 2004A Bonds and the 2004B Bonds on September 1, 2014 and to pay the redemption price of the Refunded Bonds on September 15, 2014.

The lien of the Refunded Bonds will be discharged, terminated and of no further force and effect upon the deposit with the Escrow Bank of the amounts required pursuant to the Escrow Agreements (see "CONCLUDING INFORMATION -- Verification of Mathematical Computations" herein). Amounts on deposit with the Escrow Bank are not available to pay debt service on the Bonds.

### Estimated Sources and Uses of Funds

Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the Bonds and other available funds and will apply them as shown below.

#### Sources of Funds

Par Amount of Bonds  
Original Issue Premium  
Funds Held for the Refunded Bonds  
Net Source of Funds

#### Uses of Funds

Transfer to Escrow Bank  
Reserve Account  
Underwriter's Discount  
Costs of Issuance Fund <sup>(1)</sup>  
Total Use of Funds

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<sup>(1)</sup> Expenses include fees and expenses of Bond Counsel, the Financial Advisor, Disclosure Counsel and the Trustee, costs of printing the Official Statement, rating fees, and other costs of issuance of the Bonds.



# SECURITY FOR THE BONDS

## Tax Allocation Financing

Prior to the enactment of the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. First, the assessed valuation of the taxable property in a project area, as last equalized prior to adoption of the redevelopment plan, was established and became the base roll. Thereafter, except for any period during which the assessed valuation drops below the base year level, the taxing agencies, on behalf of which taxes are levied on property within the project area, receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll could be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves had no authority to levy taxes on property.

The Dissolution Act now requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency had the Former Agency not been dissolved 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 Successor Agency established and held by the County Auditor-Controller (the "Redevelopment Property Tax Trust Fund") pursuant to the Dissolution Act. Such funds, or portions thereof distributed to the Successor Agency, are deposited by the Successor Agency in its "Recognized Obligation Retirement Fund." The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to effective date of the Dissolution Act, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedules (see "Recognized Obligation Payment Schedules" below).

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of moneys 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) of the Dissolution Act for permitted administrative costs of the county auditor-controller and payments made under Sections 33401, 33676 and 33607.7 (among others) of the Redevelopment Law.

Successor agencies have no power to levy property taxes but must receive an allocation of taxes as described above. See "RISK FACTORS."

## Tax Revenues

As provided in the Redevelopment Plans for the constituent Project Areas and pursuant to Article 6 of Chapter 6 of the Redevelopment Law, and Section 16 of Article XVI of the Constitution of the State, taxes levied upon taxable property in the Project Areas each year by or for the benefit of the State, for cities, counties, districts or other public corporations (collectively, the "Taxing Agencies") for fiscal years beginning after the effective date of each constituent Redevelopment Plan, will 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 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 Plan, or the respective effective dates of ordinances

approving amendments to the Redevelopment Plan that added territory, 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 Former Agency/Successor 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, when collected will be paid into a special fund of the Former Agency/Successor Agency. Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from this paragraph.

Tax revenues generated as set forth under (b) above and allocated to the Successor Agency constitute Tax Increment Revenues, as that term is used herein.

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

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-controllars 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 Former Agency established two redevelopment project areas which are referred to herein as the Project Areas. The Tax Revenues will include tax revenues derived from both Project Areas. The Successor Agency will continue to administer moneys transferred from the Redevelopment Property Tax Trust Fund and deposited in the Successor Agency's Redevelopment Obligation Retirement Fund in accordance with the provisions of the Senior Obligations Indentures.

Further, the Dissolution Act eliminated the requirement in the Redevelopment Law that not less than 20% of Tax Increment Revenues were to be set aside annually for the purpose of increasing and improving the community's supply of low and moderate income housing available at affordable housing costs to persons and families of very low, low or moderate income households (the "Housing Set-Aside"). Under the Redevelopment Law, the portion of Tax Increment Revenues which were required to be deposited in the Former Agency's Low and Moderate Income Housing Fund could be pledged to pay the portion of debt service on any obligations to the extent the proceeds thereof were expended for qualifying low- and moderate-income housing projects. A portion of the proceeds from the 2001 Bonds issued by the Former

Agency were set aside in the Former Agency's Low and Moderate Income Housing Fund. After the refinancing of the 2001 Bonds with the proceeds of the Bonds, there are no obligations with a prior claim on the former Housing Set-Aside.

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 Former Agency had entered into agreements for this purpose with respect to the Project Areas (the "Tax Sharing Agreements"). Additionally, Section 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects amended after January 1, 1994 in a manner specified in such section (the "Statutory Tax Sharing Amounts"). See "PROJECTED TAX REVENUES - Tax Sharing Agreements and Tax Sharing Statutes" herein). The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under Tax Sharing Agreements and for Statutory Tax Sharing Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Successor 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 Former Agency, as succeeded by the Successor Agency, (ii) the Successor 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 Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency's enforceable obligations, pass-through payments, and the Successor Agency's administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes for the applicable six-month period. The Successor Agency has covenanted in the Indenture to timely file a "Notice of Insufficiency" with the County Auditor-Controller in the event that such an insufficiency occurs.

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 Successor 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 Successor Agency's enforceable obligations, pass-through payments, and the Successor 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 Successor Agency for administrative costs for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under Tax Sharing Agreements and for Statutory Tax Sharing Amounts, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

The Dissolution Act provides for a procedure by which the Successor Agency may make Statutory Tax Sharing Amounts subordinate to the Bonds. The Former Agency had not previously undertaken proceedings to subordinate such payments to the Senior Obligations, the 2004A Bonds or the 2004B Bonds, nor will the Successor Agency undertake such procedure with respect to the Bonds, and therefore, Statutory Tax Sharing Amounts are not subordinate to the Senior Obligations or the Bonds.

The Successor Agency expects, but cannot guarantee, that the process prescribed by the Dissolution Act of administering the Tax Revenues will effectively result in adequate Tax Revenues for the payment of principal and interest on the Bonds when due. See "SECURITY FOR THE BONDS - Recognized Obligation Payment Schedule." The County Auditor-Controller will distribute 50% of the current year's annual tax increment to the Successor Agency on January 2 of such year and 50% of the current year's

annual tax increment to the Successor Agency on June 1 of such year such distribution in any case limited to the amount requested by the Successor Agency on the applicable Recognized Obligation Payment Schedule and approved by the State Department of Finance, as described below.

## **Recognized Obligation Payment Schedules**

Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule (the "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. As defined in the Dissolution Act, "enforceable obligation" includes bonds, including the required debt service, reserve set-asides, 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 and from the city. 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 six-month period (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Covenants of the Successor 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 allocable to the Project Areas and amounts held in funds and accounts under the Indenture, the Successor 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 Successor Agency from the funds specified in the Recognized Obligation Payment Schedule.

The Recognized Obligation Payment Schedule, with respect to each six-month period beginning January 1 and July 1, must be submitted by the Successor 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 by 90 days before the date of the next January 2 or June 1 property tax distribution. If the Successor Agency does not submit an Oversight Board-approved 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 Successor Agency's administrative cost allowance is reduced by 25% if the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule 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. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see "RISK FACTORS - Recognized Obligation Payment Schedule."

The Dissolution Act requires the State Department of Finance 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 State Department of Finance, the Successor Agency may request additional review by the department and an opportunity to meet and confer on disputed items, if any. The State Department of Finance will notify the Successor 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. Additionally, 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 Successor Agency, the Oversight Board, and the State Department of Finance at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable.

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 State Department of Finance no later than October 1 and April 1 of each year, as applicable. If, after receiving such estimate from the County Auditor-Controller, the Successor Agency determines and reports, no later than December 1 or May 1, as applicable (i.e., by December 1, 2014 with respect to the Recognized Obligation Payment Schedule for January 2, 2015 through June 30, 2015), that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Former 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 the Successor Agency's enforceable obligations listed on the Recognized Obligation Payment Schedule, and for the Successor Agency's administrative cost allowance, the County Auditor-Controller must notify the State Controller and the State Department of Finance no later than 10 days from the date of the Successor 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 "Redevelopment Property Tax Trust Fund" above.

The Successor Agency has covenanted to comply with all of the requirements of the Redevelopment Law and the Dissolution Act. Not less than 90 days prior to each January 2, the Successor Agency shall submit to the Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule that includes all debt service on the Senior Obligations due and payable in the following calendar year and 50% of the debt service on the Bonds due and payable in the following calendar year, so as to enable the Riverside County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on such January 2 amounts required to enable the Successor Agency to pay timely principal of, and interest on, the Senior Obligations during such calendar year and interest on the Bonds coming due on March 1 in such calendar year and to establish a reserve for half of the principal due on September 1 in such calendar year (as described below). Not less than 90 days prior to each June 1, the Successor Agency shall submit to the Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule that includes the remaining 50% of the debt service on the Bonds due and payable in such calendar year, so as to enable the Riverside County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on such June 1 amounts required to enable the Successor Agency to pay timely principal of, and interest on the Bonds coming due on September 1 in such calendar year.

The Successor Agency shall place on the applicable Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, any amount required to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Law and any amount required to be deposited in the Reserve Account in order to maintain in the Reserve Account the amount of the Reserve Requirement.

## **Pledge of Tax Revenues**

The Bonds and any Parity Debt (defined below) shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund or in the Special Fund (if applicable), subject, however, to the prior pledge, security interest and lien on Tax Revenues securing payment of debt service on the Senior Obligations, and a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account and the Redemption Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The Bonds and all Parity Debt shall be additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Reserve Account. The Bonds shall be also equally secured by the pledge and lien created with respect to the Bonds by Section 34177.5(g) of the Law on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on the Bonds.

Also see "No Additional Debt other than Refunding Bonds" below.

The Tax Revenues are pledged to the payment of principal of and interest on the Bonds pursuant to the Indenture until the Bonds have been paid, or until moneys have been set-aside irrevocably for that purpose. The Trustee will covenant to exercise such rights and remedies as may be necessary to enforce the payment of the Tax Revenues when due under the Indenture, and otherwise to protect the interests of the Bondholders in the event of default by the Successor Agency.

**The Bonds are special obligations of the Successor Agency. The Bonds do not constitute a debt or liability of the City of Palm Springs, the County of Riverside, the State or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City of Palm Springs, the County of Riverside, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Successor Agency has no taxing power.**

## **Reserve Account**

A Reserve Account has been established under the Indenture to be held by the Trustee to further secure the timely payment of principal of and interest on the Bonds. The Successor Agency must maintain an aggregate balance in the Reserve Account equal to the lesser of (i) 10 percent of the original principal amount of the Bonds, less original discount (if any), plus original issue premium (if any), on the Bonds, (ii) 125% of the average Annual Debt Service (as established on the Closing Date) or (iii) Maximum Annual Debt Service (the "Reserve Requirement"). If the Successor Agency fails to deposit with the Trustee the full amount required by the Indenture to pay principal and interest due on the Bonds when due on any date, the Trustee will withdraw from the Reserve Account, the difference between the amount required to be on deposit and the amount available on such date.

The Reserve Account established for the Bonds secures only the Bonds and not any other series of Parity Debt that may be issued under the Indenture (see "Issuance of Additional Debt" below).

The Indenture provides that in lieu of a cash deposit, the Successor Agency may satisfy all or a portion of the Reserve Requirement by means of a Qualified Reserve Account Credit Instrument (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein).

### **No Additional Debt other than Refunding Bonds**

So long as the Bonds are Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only as provided in the Indenture. The Successor Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the Bonds superior to the pledge and lien created for the benefit of the Bonds; provided, that the Successor Agency (a) may issue and sell refunding bonds as Senior Obligations payable from Tax Revenues on a basis senior to the Outstanding Bonds or as Parity Debt payable from Tax Revenues on a parity with Outstanding Bonds (as determined by the Successor Agency, in its sole discretion) to refund the 2007A Bonds, the 2007B Bonds and/or the 2007C Bonds and (b) may issue and sell refunding bonds as Parity Debt payable from Tax Revenues on a parity with Outstanding Bonds to refund a portion of the Outstanding Bonds, provided further that, with respect to any such refunding (i) annual debt service on such Senior Obligations or Parity Debt, as applicable, is lower than annual debt service on the obligations being refunded during every year the obligations would otherwise be outstanding and (ii) the final maturity of any such Senior Obligations or Parity Debt, as applicable, does not exceed the final maturity of the obligations being refunded. Nothing in the Indenture shall prevent the Successor Agency from issuing and selling Subordinate Debt.

# THE SUCCESSOR AGENCY

## Government Organization

The Former Agency was established by the City Council on June 26, 1973 pursuant to the Redevelopment Law. On June 29, 2011, AB X1 26 was enacted, together with a companion bill, AB X1 27. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4<sup>th</sup> 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. The California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 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 Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

On January 4, 2012, pursuant to Resolution No. 23071 and Section 34173 of the Dissolution Act, the City Council elected to serve as successor agency to the Former Agency. Section 34173(g) of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

The Successor Agency is governed by a five-member board which consists of all members of the City Council. The Mayor serves as the presiding officer of the Successor Agency.

<u>SUCCESSOR AGENCY BOARD MEMBER</u>	<u>TERM EXPIRES</u>
Steve Pougnet, Mayor	December 2015
Rick Hutcheson, Mayor Pro Tem	December 2015
Ginny Foat, Councilmember	December 2017
Paul Lewin, Councilmember	December 2015
Christopher Mills, Councilmember	December 2017

The City performs certain general administrative functions for the Successor Agency. The City Manager serves as the Successor Agency's chief administrative officer, the City Clerk serves as the Successor Agency secretary and the City Finance Director and Treasurer serves as the Successor Agency treasurer. The costs of such functions, as well as additional services performed by City staff are allocated annually to the Successor Agency, within certain limitations established by the Dissolution Act. Such reimbursement is subordinate to payment on any outstanding bonds of the Successor Agency.

Current City Staff assigned to administer the Successor Agency include:

### KEY ADMINISTRATIVE PERSONNEL

David H. Ready, Esq., Ph.D.	<i>City Manager</i>
James L. Thompson	<i>Chief of Staff/City Clerk</i>
Geoffrey S. Kiehl	<i>Director of Finance and Treasurer</i>
John S. Raymond	<i>Director of Community &amp; Economic Development</i>
Douglas C. Holland	<i>City Attorney</i>



## **Successor Agency Powers**

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

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. The Successor Agency has remitted to the County Auditor-Controller all of the unobligated balances as determined by the State Department of Finance. On January 2, 2014, the Successor Agency received its Finding of Completion from the State Department of Finance. Receipt of the Finding of Completion allows the Successor Agency to do several things, among them, developing a plan for the disposition of any properties held by the Successor Agency and spending proceeds of bonds issued prior to December 31, 2010, all requiring approval of the Oversight Board.

After receiving the finding of completion, each successor agency is required to submit a Long Range Property Management Plan detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. Permissible uses include: sale of the property, use of the property to fulfill an enforceable obligation, retention of the property for future redevelopment, and retention of the property for governmental use. These plans must be filed by successor agencies with the State Department of Finance within six months of receiving a finding of completion. The Successor Agency submitted its Long Range Property Management Plan and has received approval of the plan by the State Department of Finance.

## **Redevelopment Plans**

The City Council approved and adopted the separate Redevelopment Plans for the ten constituent Redevelopment Projects as described in APPENDIX B – PROJECTED TAX REVENUES. Merged Project No. 1 was created on May 31, 2000 pursuant to an amendment to the redevelopment plans for the Former Agency's Central Business District Redevelopment Project, North Palm Canyon Redevelopment Project, South Palm Canyon Redevelopment Project, Ramon-Bogie Redevelopment Project, Oasis Redevelopment Project, Highland-Gateway Redevelopment Project and Redevelopment Project No. 9.

Merged Project No. 2 was also created on May 31, 2000 pursuant to an amendment to the redevelopment plans for the Former Agency's Baristo-Farrell Redevelopment Project, Canyon Redevelopment Project and Tahquitz-Andreas Redevelopment Project.

## **Plan Limitations**

The Redevelopment Plans for the Project Areas impose certain limitations on the amount of Tax Increment Revenues that the Former Agency and the Successor Agency may be allocated from the constituent Redevelopment Projects, the amount of bonded indebtedness that could be incurred by or allocated to the constituent Redevelopment Projects and the time limit for receiving Tax Increment Revenues.

The limitations imposed by the respective Redevelopment Plans are as follows:

<b><u>Redevelopment Project</u></b>	<b><u>Maximum Bonded Indebtedness</u></b>	<b><u>Maximum Tax Increment</u></b>	<b><u>Plan Expiration Date</u></b>	<b><u>Last Date to Collect Tax Increment</u></b>	<b><u>Tax Increment Received to Date</u></b> <sup>(2)</sup>
Central Business District	N/A <sup>(1)</sup>	\$150,000,000	7/11/2026	7/11/2026	\$40,891,000
North Palm Canyon	\$64,000,000	65,000,000	9/19/2025	9/19/2035	14,049,000
South Palm Canyon	80,000,000	80,000,000	11/30/2026	11/30/2036	10,970,000
Oasis	30,000,000	30,000,000	7/10/2025	7/10/2035	4,044,000
Highland-Gateway	50,000,000	50,000,000	11/20/2025	11/20/2035	7,477,000
Ramon-Bogie	100,000,000	100,000,000	11/30/2026	11/30/2036	15,454,000
Project No. 9	60,000,000	6,000,000 <sup>(3)</sup> (annual)	12/29/2029	12/29/2039	4,080,000 <sup>(3)</sup> (annual)
Baristo-Farrell	80,000,000	345,000,000	5/7/2027	5/7/2037	35,750,000
Tahquitz-Andreas	90,000,000	90,000,000	7/19/2026	7/19/2033	27,249,000
Canyon	800,000,000	2,100,000,000	7/19/2032	7/19/2042	18,986,000

<sup>(1)</sup> Not required for plans adopted prior to 1976.

<sup>(2)</sup> As of June 1, 2014, rounded to the nearest thousand. Source: Riverside County Auditor-Controller.

<sup>(3)</sup> Project No. 9 has an annual limitation rather than a cumulative limitation on the receipt of Tax Increment.

The Successor Agency does not expect to reach the maximum limit on Tax Increment Revenues prior to the maturity of the Senior Obligations and the Bonds. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Other Covenants - Plan Limits."

## THE PROJECT AREAS

### Description of the Merged Project No. 1

The Merged Project No. 1 is comprised of seven constituent project areas: the Central Business District Redevelopment Project, the North Palm Canyon Redevelopment Project, the South Palm Canyon Redevelopment Project, the Ramon-Bogie Redevelopment Project, the Oasis Redevelopment Project, the Highland-Gateway Redevelopment Project and Redevelopment Project No. 9.

#### MERGED PROJECT NO. 1 REDEVELOPMENT PROJECT INFORMATION

<u>Redevelopment Project</u>	<u>Year Adopted</u>	<u>Acreage</u>	<u>Primary Land Use</u>
Central Business District	1973	114	Commercial/Hotel
North Palm Canyon	1984	94	Commercial/Hotel
South Palm Canyon	1983	150	Industrial/Commercial
Oasis	1984	4	Hotel/Residential
Highland-Gateway	1984	325	Residential
Ramon-Bogie	1983	440	Industrial/Commercial
Project No. 9	1988	<u>737</u>	Commercial/Residential
		1,864	

The percentage of 2013/14 taxable value by land use within Merged Project No. 1 is shown below.

<u>Land Use</u>	<u>Taxable Value</u>
Residential	36%
Commercial/Industrial	44
Vacant Land	5
Possessory Interest	10
Unsecured	<u>5</u>
	100%

See "RISK FACTORS – Possessory Interest Taxes; Bureau of Indian Affairs Regulations" herein for a further discussion of possessory interest taxes.

#### Central Business District Redevelopment Project

The Central Business District Redevelopment Project encompasses 114 acres in the City's downtown retail district. Considerable redevelopment has occurred since the redevelopment project's adoption in 1973. The City's primary redevelopment goal for this area was to enhance the downtown by creating an exciting pedestrian environment consistent with the City's resort image. This has largely been accomplished with landscaping projects, a visitor information center, pedestrian walkways, undergrounding utilities and construction of a public parking garage. The City's Arts in Public Places Program contributed several sculptures installed along Palm Canyon Drive and Tahquitz Canyon Way, the two major thoroughfares through the City's downtown resort area. Decorative signage provides further enhancement to the area. A festival atmosphere is also created by "VillageFest," a weekly street entertainment event with the closing of Palm Canyon Drive to vehicular traffic on certain nights to create pedestrian access to restaurants, shops and entertainment in the area.

A 194-room all-suites Hyatt Hotel is located in the downtown area, adjacent to the new "Downtown Palm Springs" development. The Downtown Palm Springs development is a \$150-\$180 million commercial, hotel and residential development in the heart of the City's downtown area. This development replaces an obsolete enclosed mall with new city streets throughout the 13-acre site and effectively incorporates both residential and retail uses into an urban village which presents a pedestrian-friendly environment with a number of plazas and walkways. Upon completion, the development will have reintegrated a property that had been massed into a monolithic "superblock" back into the downtown street grid, resulting in a strong public gathering place comprised of well-designed public spaces linked by a total entertainment and retail environment. The entire street grid created under the Plan and conveyed to the City was designed to maximize its use for events. All of this area will be available to be closed off for special events and public activities.

The demolition of the existing structures is either complete or underway. Construction is expected to begin in late summer 2014 on the Kimpton Hotel, a six-story 4-star boutique hotel, with an expected opening by the end of 2015. All infrastructure should be completed by the last quarter of 2015, with new commercial developments being completed in phases. The first phase is anticipated to be completed by the end of 2015, with subsequent phases expected to be complete by mid-2016. A second hotel is planned to open by the end of 2016. The Agency expects the development to add at least \$150 million of assessed value to the tax rolls when complete. If the development results in \$150 million increase in assessed value, net tax revenues, after tax sharing, would be increased by \$1.2 million. In the interim, the value of the improvements that have been demolished will reduce net tax revenues by \$54,000 in 2015.

Another proposed hotel project in the Central Business District Redevelopment Project will be a significant development at the northern gateway to the downtown core as envisioned by the City's Downtown Urban Design Plan. The development, formerly known as "Port Lawrence," is proposed as a 150-room boutique hotel with ground floor retail. The developer is in the entitlement process.

A mixed use project at the southern end of the Redevelopment Project, known as "The Palm Springs," is expected to replace an existing commercial center. The developer has notified existing tenants that leases will not be extended past October 2014 in preparation for the renovation and reconstruction.

There are additional small shopping centers in the Central Business District Redevelopment Project as well as low-rise office and commercial buildings, with some ground floor retail.

#### **North Palm Canyon Redevelopment Project**

The North Palm Canyon Redevelopment Project borders Palm Canyon Drive north of the Central Business District Redevelopment Project. Palm Canyon Drive, also known as Highway 111, is one of the primary access routes into the City from Interstate 10. The redevelopment project is predominately developed with small hotels, a large number of office or retail/commercial buildings and limited residential development.

Over the past several years, more than \$200 million has been invested in the hotel stock throughout the City. This includes many of the smaller hotel remodels or renovations in the North Palm Canyon Redevelopment Project and Redevelopment Project No. 9. Among those located in the North Palm Canyon Redevelopment Project are the Alcazar; the Colony Palms, which sold last year for the highest price per room in the City's history; the Los Arboles Hotel, which reopened after nearly fifteen years of vacancy; the Triada Hotel and Spa, due to open in June 2014 after two decades of vacancy; and the Skylark, which completed a major remodel in December, 2012. The new 32-room boutique Arrive Hotel is anticipated to commence construction in June 2014.

The City's Uptown Design District runs through the North Palm Canyon Redevelopment Project. The district is home to new and emerging shops, restaurants and boutiques that focus on modern décor and interior design.

### **South Palm Canyon Redevelopment Project**

The South Palm Canyon Redevelopment Project includes the commercial and retail properties on both sides of Palm Canyon Drive south of the Central Business District Redevelopment Project. The redevelopment project also includes several industrially-zoned properties east of Palm Canyon Drive.

The largest development in the South Palm Canyon Redevelopment Project is the Plaza del Sol. This commercial center is located on a 17-acre site. The center is developed with a Stein-Mart and a mix of retail, restaurant and office uses.

New or anticipated construction in the South Palm Canyon Redevelopment Project includes The Five Hundred, a renovated office building completely remodeled and rebuilt with Class A office space, The Sun Center, one of the oldest strip commercial centers in the Coachella Valley, which underwent a major remodel in 2009-10, and an 11-acre site to be developed with 80 condominiums, 22 live-work units and 20,000 square feet of commercial space. This site was originally intended as a mixed use project before the recession, and has recently been sold to a major homebuilder.

Other development in the redevelopment project includes small motor inns, such as Motel 6 and Best Western, auto-related uses and small industrial uses.

### **Oasis Redevelopment Project**

The Oasis Redevelopment Project was established to provide for continuity of development with the adjacent Central Business District. It is approximately 4 acres. A 47 townhome development was built between 2005 and 2006.

Palm Mountain Resort owns a 125-room hotel in the redevelopment project. The owner has approved plans to demolish an obsolete restaurant building on the property and replace with 30 additional new rooms. Construction is expected to commence during 2014.

### **Highland-Gateway Redevelopment Project**

The Highland-Gateway Redevelopment Project is located near the northern entrance to the City along Highway 111. The redevelopment project provides a significant amount of low and moderate cost housing for residents. The goal of the redevelopment project was primarily to provide additional low cost residential single-family and multi-family development compatible with existing units, to provide neighborhood commercial facilities and to improve the utilization of industrial zones and alleviate conflicts between residential and industrial uses.

The College of the Desert originally planned to construct a satellite campus in Palm Springs, specifically in the Highland-Gateway area. Due to the development costs at that site, the College has recently announced its plans to construct the campus at a different site within the City (see "Baristo-Parrell Project" below).

### **Ramon-Bogie Redevelopment Project**

This redevelopment project is located along the City's eastern limits. A significant amount of land in the Ramon-Bogie Redevelopment Project is owned by allottees of the Agua Caliente Band of Cahuilla Indians and ground-leased for development.

A portion of the Ramon-Bogie Redevelopment Project was developed with older industrial uses, with scattered light industrial and commercial operations and an abandoned landfill making up the remaining portion. A major focus of the Former Agency's plans for the Ramon-Bogie Redevelopment Project was the reclamation of the old landfill for commercial use. The Former Agency successfully partnered with the Charles Company to redevelop the site. "The Springs" is a 400,000 square foot shopping center

anchored by Home Depot, Marshalls and Bed Bath & Beyond. The development was awarded the Community Redevelopment Association's Award of Excellence in 2010.

Other development in the redevelopment project includes a Lowe's home improvement store, which opened in 2001. The 275,000 square foot Destination Ramon center includes WalMart, Office Depot and PetsMart stores, is also located in the Ramon-Bogie Redevelopment Project.

Other retail development includes the 35,000 square foot Indian Oasis center and the 65,000 square foot Gene Autry Retail Plaza. The Indian Oasis center is part of a larger master planned corporate office center, golf destination and resort on 300 acres of land leased from allottees of the Agua Caliente Band of Cahuilla Indians. A portion of the Indian Oasis center is located within the boundaries of the Ramon-Bogie Redevelopment Project. The Gene Autry Retail Plaza opened in 2010, anchored by Smart & Final and Staples.

Most of the remaining land is zoned for commercial, light industrial and airport-related uses, and approximately 53% (235 acres) of the Ramon-Bogie Redevelopment Project is currently undeveloped.

### **Redevelopment Project No. 9**

Redevelopment Project No. 9 consists of approximately 737 acres in nine non-contiguous areas throughout the community. Within these areas is a mix of residential, commercial and hotel and motel uses.

As noted in North Palm Canyon Redevelopment Project, several boutique hotels located in Redevelopment Project No. 9 were recently remodeled, including the Palm Springs Hotel, which will open in August 2014 after a major remodel; the Monroe, opened in 2013 after a significant remodel; and The D Hotel and 78 Degrees Restaurant, opening in fall 2014 after a major remodel.

Specific development within Redevelopment Project No. 9 includes the 80-unit Vista Sunrise Apartments, the Riverside County Family Care Center, K. Hovanian Four Seasons residential community, the Ace Hotel, and BMW, Mercedes and Hyundai dealerships.

## Description of the Merged Project No. 2

Merged Project No. 2 is comprised of three constituent Redevelopment Projects: the Baristo-Farrell Redevelopment Project, the Tahquitz-Andreas Redevelopment Project and the Canyon Redevelopment Project.

### MERGED PROJECT NO. 2 REDEVELOPMENT PROJECT INFORMATION

<u>Redevelopment Project</u>	<u>Year Adopted</u>	<u>Acreage</u>	<u>Primary Land Use</u>
Baristo-Farrell	1986	483	Commercial/Residential
Tahquitz-Andreas	1983	164	Commercial/Hotel
Canyon	1991	<u>746</u>	Residential/Open Space
		1,393	

The percentage of 2013/14 taxable value by land use within Merged Project No. 2 is shown below.

<u>Land Use</u>	<u>Taxable Value</u>
Residential	37%
Commercial/Industrial	14
Vacant Land	5
Possessory Interest	38
Unsecured	<u>6</u>
	100%

See "RISK FACTORS – Possessory Interest Taxes; Bureau of Indian Affairs Regulations" herein for a further discussion of possessory interest taxes.

#### **Baristo-Farrell Redevelopment Project**

The Baristo-Farrell Redevelopment Project is developed with a variety of commercial, hotel, office, residential and public uses. The Courtyard Center and Courtyard 10 Theatre complex, built in 1981, offer 132,000 square feet of offices, restaurants, shopping and entertainment. Hotel development includes a 149-room Marriott Courtyard hotel and a 109-room all-suites Extended Stay America, and several office buildings. The Sunrise Square shopping center opened 10 years ago with Ralphs grocery store and CVS drug store as anchors. A new Rite Aid store and an Eisenhower Medical Center office building are also located in the Baristo-Farrell Redevelopment Project.

There are approximately 45 acres of undeveloped commercially-zoned property remaining in the Baristo-Farrell Redevelopment Project.

The Palm Springs Mall is a 331,000 square foot retail development. There are few remaining tenants. It was purchased several years ago with the intent to redevelop. The property has since been sold, and no redevelopment of the site has occurred. The College of the Desert announced that this site would be ideal for its West Valley Campus and have indicated interest in negotiating with the property owner. The site has all required infrastructure and is adjacent to the high school and community theater. The current assessed value of the property is \$9,664,500. If the property was purchased by the College District, net tax revenues, after tax sharing, would be reduced by \$47,000.

Residential property within the Baristo-Farrell Redevelopment Project is exclusively zoned for multi-family uses. There are several apartment buildings and numerous condominiums. There are approximately 72 acres of undeveloped multi-family zoned property within the Baristo-Farrell

Redevelopment Project. There are approximately 97 new (since 2010) residential units constructed or under construction.

The Baristo-Farrell Redevelopment Project also contains the site of a proposed 200-room and 50-residence urban lifestyle Dolce Hotel adjacent to the Convention Center facility. The Successor Agency expects to sell a 7.8 acre site directly across the street from the Convention Center to the Dolce Hotel by the end of 2014, pursuant to their approved property management plan. The City expects that construction may be underway as soon as [ ] and could add over \$85 million to the tax rolls when complete. If the development adds \$85 million of assessed value to the tax rolls when complete, net tax revenues, after tax sharing, would be increased by approximately \$415,000.

### **Tahquitz-Andreas Redevelopment Project**

The Tahquitz-Andreas Redevelopment Project is developed with a variety of hotels, apartments and the City's Convention Center. The Convention Center opened in 1987, a first expansion was completed in 1992 and a further expansion in 2006. Today, the Convention Center contains 250,000 square feet of exhibition and meeting space and support area, together with additional outdoor function space. Adjacent to the Convention Center is a 410-room Renaissance Hotel, which underwent a renovation in 2009. Other hotels located in the Tahquitz-Andreas Redevelopment Project include a Hilton Hotel, the Las Brisas Hotel, the Hard Rock Hotel, Marquis Villas. The Hard Rock Hotel purchased its property from the former Hotel Zosos, and undertook a major renovation in 2012 of this 163-room hotel. Hilton Hotel also underwent a \$12 million renovation and remodel in 2012.

The Agua Caliente Band of Cahuilla Indians Spa Resort and Casino is located in the Tahquitz-Andreas Project, and is not taxable. Plans have been announced to close the hotel on July 8, 2014, but the casino will remain open. No announcement has been made regarding the ultimate redevelopment, renovation or disposition of the facility.

Most of the land in the Tahquitz-Andreas Redevelopment Project is owned by individual allottees of the Agua Caliente Band of Cahuilla Indians and ground-leased for development.

### **Canyon Redevelopment Project**

The Canyon Redevelopment Project was created in 1991 and includes mostly residential uses along the base of the San Jacinto Mountains at the southern boundary of the City. The Former Agency's focus in the Canyon Redevelopment Project was to upgrade public infrastructure, including improving flood control facilities. The total area within the redevelopment project boundaries is 746 acres, up to 200 acres of which is likely not to be developed because of slope or water course issues. Of the remaining 546 acres, approximately 160 are not yet developed.

Residential development in the Canyon Redevelopment Project stalled during the recession. However, "The Estancias," "Alta" and "Monte Sereno," developments, which were underway in 2008, have since been completed, and offer a total of 204 single family homes with canyon views.

The Agua Caliente Development Authority ("ACDA") acquired the former Canyon South golf course located in the redevelopment project and undertook a major redevelopment of the course in 2004. They also own a 15-acre hotel site adjacent to the golf course, for which they continue to seek a hotel developer. Property owned by the ACDA is tax-exempt.



## Assessed Valuations and Tax Revenues

Historical assessed value for Merged Project No. 1 based on the equalized tax rolls are shown below.

**TABLE NO. 1  
MERGED PROJECT NO. 1  
HISTORICAL ASSESSED VALUATIONS <sup>(1)</sup>**

<u>Project Area</u>	<u>Base Value</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Central Business District	\$ 35,805,588	\$ 256,901,237 <sup>(2)</sup>	\$ 202,283,368	\$ 191,727,922	\$ 202,121,825	\$ 195,270,951 <sup>(3)</sup>
Oasis	6,216,941	45,334,836	41,606,584	41,435,144	40,720,624	40,540,340
North Palm Canyon	58,368,599	177,306,237	162,393,631	162,700,662	179,365,419	176,789,817
Highland Gateway	13,076,698	97,449,571	85,877,326	85,563,847	77,130,573	74,604,313
Ramon/Bogie <sup>(4)</sup>	24,113,819	181,097,487	191,121,640	192,209,611	191,332,998	190,337,750
South Palm Canyon <sup>(4)</sup>	52,364,719	132,281,824	130,855,665	121,704,405	120,306,659	121,925,359
Project No. 9 <sup>(4)</sup>	<u>146,554,451</u>	<u>597,619,263</u>	<u>553,735,511</u>	<u>553,462,664</u>	<u>535,480,289</u>	<u>554,510,620</u>
	\$336,500,815	\$1,487,990,455	\$1,367,873,725	\$1,348,804,255	\$1,346,458,387	\$1,353,979,150

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

<sup>(2)</sup> In 2009/10, the Desert Museum did not file for its exemption from property tax in timely manner. The assessed value added to the 2009/10 tax roll for this property was \$50,856,870. The property owner filed and received its property tax exemption in all other years.

<sup>(3)</sup> The City has undertaken a revitalization project in its downtown, affecting the Central Business District Redevelopment Project. Assessed value in future years may change as properties are demolished and/or reconstructed. In 2012, the City acquired parking structures that were previously assessed in the approximate amount of \$20 million.

<sup>(4)</sup> Contains assessed value relating to possessory interest in leased tribal land. See "RISK FACTORS – Possessory Interest Taxes; Bureau of Indian Affairs Regulations" herein.

Source: Riverside County Auditor-Controller

Actual Tax Increment Revenues paid to the Former Agency or available to the Successor Agency from Merged Project No. 1 are shown below.

**TABLE NO. 2  
MERGED PROJECT NO. 1  
HISTORICAL TAX REVENUES**

<u>Project Area</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Central Business District	\$ 2,211,046	\$ 1,682,195	\$ 1,581,428	\$ 1,684,561	\$ 1,617,149
Oasis	391,179	355,329	354,587	347,424	345,729
North Palm Canyon	1,190,636	1,049,568	1,055,507	1,221,799	1,196,766
Highland Gateway	852,129	730,204	729,222	644,597	619,625
Ramon/Bogie	1,569,837	1,675,484	1,690,923	1,681,791	1,672,683
South Palm Canyon	800,361	791,164	701,869	687,583	704,202
Project No. 9	<u>4,520,798</u>	<u>4,085,825</u>	<u>4,094,723</u>	<u>3,914,682</u>	<u>4,105,751</u>
Total Tax Increment	\$11,535,986	\$10,369,770	\$10,208,259	\$10,182,436	\$10,261,905
Supplemental Taxes	<u>329,451</u>	<u>153,174</u>	<u>(127,598)</u>	<u>67,394</u>	<u>108,705</u>
Actual Tax Revenues	\$11,865,437	\$10,522,944	\$10,080,660	\$10,249,829	\$10,370,610
Less Housing Set-Aside <sup>(1)</sup>	(2,373,087)	(2,104,589)	-	-	-
Less Housing Obligations <sup>(2)</sup>	-	-	(314,627)	(319,872)	(312,649)
Less Tax Sharing	<u>(4,195,077)</u>	<u>(3,844,771)</u>	<u>(3,755,423)</u>	<u>(3,894,637)</u>	<u>(4,191,063)</u>
Available for Debt Service <sup>(3)</sup>	\$ 5,297,273	\$ 4,573,584	\$ 6,010,610	\$ 6,035,320	\$ 5,866,898

<sup>(1)</sup> The Dissolution Act eliminated the requirement to set aside 20% of Tax Increment Revenue in the Former Agency's Low and Moderate Income Housing Fund.

<sup>(2)</sup> Prorata share of 2001 Housing Tax Allocation based on amounts from each Project Area that would have been required to be set aside for Low and Moderate Income Housing.

<sup>(3)</sup> Before deduction for County Auditor-Controller administrative costs.

Source: Former Agency audited financial statements and Riverside County Auditor-Controller.

Historical assessed value for Merged Project No. 2 based on the equalized tax rolls are shown below.

**TABLE NO. 3  
MERGED PROJECT NO. 2  
HISTORICAL ASSESSED VALUATIONS <sup>(1)</sup>**

<u>Project Area</u>	<u>Base Value</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Baristo-Farrell <sup>(2)</sup>	\$105,804,243	\$397,275,476	\$396,339,421	\$327,556,820	\$323,684,127	\$320,291,939
Tahquitz-Andreas <sup>(2)</sup>	67,120,387	199,756,631	181,108,005	163,345,309	172,514,432	172,670,659
Canyon <sup>(2)</sup>	<u>9,543,553</u>	<u>225,569,286</u>	<u>181,314,166</u>	<u>169,638,515</u>	<u>166,927,247</u>	<u>176,278,489</u>
	\$182,468,183	\$822,601,393	\$758,761,592	\$660,540,644	\$663,125,806	\$669,241,087

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

<sup>(2)</sup> Contains assessed value relating to possessory interest in leased tribal land. See "RISK FACTORS –Possessory Interest Taxes; Bureau of Indian Affairs Regulations" herein.

Source: Riverside County Auditor-Controller.

Actual Tax Increment Revenues paid to the Former Agency or available to the Successor Agency from Merged Project No. 2 are shown below.

**TABLE NO. 4  
MERGED PROJECT NO. 2  
HISTORICAL TAX REVENUES**

<u>Project Area</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Baristo-Farrell	\$ 2,915,585	\$ 2,930,878	\$ 985,787	\$ 1,076,553	\$ 2,179,265
Tahquitz-Andreas	1,327,973	1,159,937	2,251,917	2,212,103	1,079,008
Canyon	<u>2,160,327</u>	<u>1,723,762</u>	<u>1,699,704</u>	<u>1,584,359</u>	<u>1,678,510</u>
Total Tax Increment	\$ 6,403,886	\$ 5,814,577	\$ 4,937,408	\$ 4,873,014	\$ 4,936,784
Supplemental Taxes	<u>106,680</u>	<u>(123,360)</u>	<u>(102,842)</u>	<u>(131,743)</u>	<u>210,784</u>
Actual Tax Revenues	\$ 6,510,566	\$ 5,691,217	\$ 4,834,566	\$ 4,741,271	\$ 5,147,568
Less Housing Set-Aside <sup>(1)</sup>	(1,302,113)	(1,138,243)	-	-	-
Less Housing Obligations <sup>(2)</sup>	-	-	(150,891)	(147,964)	(155,187)
Less Tax Sharing	<u>(2,478,435)</u>	<u>(2,168,343)</u>	<u>(1,753,928)</u>	<u>(1,785,645)</u>	<u>(2,004,992)</u>
<b>Available for Debt Service <sup>(3)</sup></b>	<b>\$ 2,730,018</b>	<b>\$ 2,384,631</b>	<b>\$ 2,929,747</b>	<b>\$ 2,807,662</b>	<b>\$ 2,987,389</b>

<sup>(1)</sup> The Dissolution Act eliminated the requirement to set aside 20% of Tax Increment Revenue in the Former Agency's Low and Moderate Income Housing Fund.

<sup>(2)</sup> Prorata share of 2001 Housing Tax Allocation based on amounts from each Project Area that would have been required to be set aside for Low and Moderate Income Housing.

<sup>(3)</sup> Before deduction for County Auditor-Controller administrative costs.

Source: Former Agency audited financial statements and Riverside County Auditor-Controller.

## Major Taxpayers

The ten largest property taxpayers represent 14.7% of the 2013/14 secured assessed value of the Merged Project No. 1.

**TABLE NO. 5  
MERGED PROJECT NO. 1  
TEN LARGEST TAXPAYERS AS A PERCENT OF 2013/14 ASSESSED VALUE**

<u>Taxpayer</u>	2013/14 Total Assessed Value	% of Total Assessed Value
Endure Investment	\$ 47,667,206	3.5%
Wal Mart Real Estate Business Trust	29,853,768	2.2
Palm Springs Promenade	19,677,230	1.5
RBD Hotel Palm Springs	18,941,005	1.4
Lowes HIW Inc.	16,454,214	1.2
Wessman Holdings	14,816,186	1.1
Partners Land Development	14,224,762	1.1
Colony Canyon Partners	13,587,208	1.0
Investec Ramon Investors	11,720,704	0.9
FDH Enterprises Inc	<u>11,465,508</u>	<u>0.8</u>
Total	\$198,407,791	14.7%

Source: Successor Agency.

The following provides a description of the five largest property owners in Merged Project No. 1.

**Retail Center; Endure Investment, owner.** The 400,000 square foot “The Springs” retail center shopping center anchored by Home Depot, Marshalls and Bed Bath & Beyond. The center was completed in 2009 and is located in the Ramon-Bogie Redevelopment Project.

**WalMart Superstore; Wal Mart Real Estate Business Trust, owner.** This 219,000 square foot Superstore was constructed in 2005. The building is located on 22 acres in the Ramon-Bogie Redevelopment Project.

**Mixed Use; Palm Springs Promenade, owner.** This property is included in the “Downtown Palm Springs” development in the Central Business District Redevelopment Project. The 2013/14 value is comprised of improvement value of \$6,903,940 and land value of \$12,773,290. The improvements have been or will be demolished as part of the development.

**Hyatt Hotel; RBD Hotel Palm Springs, owner.** 194-room all suites Hyatt Hotel located on 2.2 acres in the the Central Business District Redevelopment Project. The current owner purchased the property in 2008 and undertook extensive renovations.

**Lowe’s Home Improvement Store; Lowes HIW Inc, owner.** This 130,000 square foot home improvement store was constructed in 2001. The building is located on 12.6 acres in the Ramon-Bogie Redevelopment Project.

The ten largest property taxpayers represent 24.8% of the 2013/14 secured assessed value of the Merged Project No. 2.

**TABLE NO. 6  
MERGED PROJECT NO. 2  
TEN LARGEST TAXPAYERS AS A PERCENT OF 2013/14 ASSESSED VALUE**

<u>Taxpayer</u>	<u>2013/14 Total Assessed Value</u>	<u>% of Total Assessed Value</u>
HH Palm Springs	\$ 39,847,320	6.0%
Walter Hotel Corporation	24,303,671	3.6
Sunrise Place	23,338,209	3.5
O and M HR	14,091,251	2.1
311 South Sunrise Apartments	13,359,847	2.0
Tree Moss Partners	11,900,000	1.8
Time Warner Entertainment	10,055,042	1.5
Essex House Condominium Corp	9,685,000	1.4
YTC Investment	9,664,500	1.4
Zoso APMH	<u>9,500,000</u>	<u>1.4</u>
Total	\$165,744,840	24.8%

Source: Successor Agency.

The following provides a description of the five largest property owners in Merged Project No. 2.

**Renaissance Hotel; HH Palm Springs, owner.** The 410-room Renaissance Hotel, which underwent a renovation in 2009, is located adjacent to the City's Convention Center, in the Tahquitz-Andreas Redevelopment Project.

**Hilton Hotel; Walter Hotel Corporation, owner.** The 260-room Hilton Hotel is nearby to the Convention Center. Like many hotels in Palm Springs, the Hilton recently completed a \$12 million renovation. It is also located in the Tahquitz-Andreas Redevelopment Project.

**Retail Center; Sunrise Place, owner.** The Sunrise Square shopping center opened 10 years ago with Ralphs grocery store and CVS drug store as anchors. The property is located in the Baristo-Farrell Redevelopment Project.

**Commercial Properties; O and M HR, owner.** The properties consist of 4 commercial properties located along Tahquitz Canyon Way, a main City thoroughfare. 2 of the properties, totaling 3.3 acres are developed with 146,000 square feet of commercial office space. The remaining 2 properties consist of 8.5 acres of vacant commercial land.

**Apartments; 311 South Sunrise Apartments, owner.** Located on 3.9 acres in the Baristo-Farrell Redevelopment Project, this is a 44 unit low-rise apartment building, built in 1979. The current owner purchased the property in 2013.

## **Assessment Appeals**

### **Merged Project No. 1**

As of April 2014 there are appeals pending on 105 separate parcels within Merged Project No. 1, of which 38 relate to property values assessed on the 2013/14 tax roll, 38 relate to property values assessed on the 2012/13 tax roll and 12 relate to the 2011/12 tax roll. The remaining 17 pending appeals relate to prior years' tax rolls.

The 2013/14 tax roll value under appeal is \$63,732,609 (4.9% of assessed value). This includes an appeal by RBD Hotel Palm Springs LLC of the \$18,941,005 value of its Hyatt Hotel located in the Central Business District Redevelopment Project. The owner is requesting a reduction in value of this parcel to \$9,822,000, a 48% reduction. The average value reduction requested for the other 37 appeals pending for 2013/14 is 53%, and the average parcel assessed value under appeal is less than \$1.3 million.

The 2012/13 tax roll value under appeal is \$127,070,204 (9.4% of assessed value). Endure Investments filed an appeal of the \$46,894,285 2012/13 value of its shopping center located in the Ramon-Bogie Redevelopment Project, and requested a reduction in value of their property to \$28,104,444, a 40% reduction. Appeals filed for this property in 2010/11, 2011/12 and 2012/13 were all denied or withdrawn. WalMart Real Estate Business Trust has also filed an appeal of the \$28,592,563 2012/13 value of its store located in the Ramon-Bogie Redevelopment Project, and requested a reduction in value of this parcel to \$22,500,000, a 21% reduction. An appeal filed for this property in 2010/11 resulted in a reduction in its value from \$27.8 million to \$26.4 million. The average value reduction requested for all other appeals pending for 2012/13 is 58%, and the average parcel assessed value under appeal is \$2 million.

The 2011/12 tax roll value under appeal is \$20,169,573 (1.5% of assessed value). The average value reduction requested for all appeals pending for 2011/12 is 52%, and the average parcel assessed value under appeal is \$2.7 million.

The value of parcels under appeal for prior years is \$30,064,112.

Historically, the average value reduction in Merged Project No. 1 when an appeal has been granted is 21%, and of those appeals that have been resolved, the average percentage of appeals that are successful is 25%. If any of these appeals are granted in the future, it will result in a refund to the taxpayer and such refunds will be deducted from Tax Increment Revenues in the year that the refund is paid, and may also affect the assessed value in such future year.

### **Merged Project No. 2**

As of April 2014 there are appeals pending on 70 separate parcels within Merged Project No. 2, of which 22 relate to property values assessed on the 2013/14 tax roll, 7 relate to property values assessed on the 2012-13 tax roll and 3 relate to the 2011/12 tax roll. The remaining 38 pending appeals relate to prior years' tax rolls.

The 2013/14 tax roll value under appeal is \$33,347,148 (5% of assessed value). This includes an appeal by Tree Moss Partners of the \$11,900,000 value of its hotel, the Marquis Villas Resort located in the Tahquitz-Andreas Redevelopment Project. The owner is requesting a reduction in value of this parcel to \$10,100,000, a 15% reduction. This property's value was reduced on appeal in 2010/11 from \$21,173,857 to \$10,100,000. Appeals filed for this property's 2011/12 and 2012/13 value were subsequently withdrawn. O and M HR has appealed the \$9,841,251 value of two of its four properties also located in the Tahquitz-Andreas Redevelopment Project. The owner is requesting a reduction in value of these parcels to \$2,700,000, a 73% reduction. One of these properties value was reduced on appeal in 2011/12 from \$6.1 million to \$2 million, but an appeal filed in 2012/13 was subsequently

withdrawn. The average value reduction requested for the other appeals pending for 2013/14 is 62% and the average parcel assessed value under appeal is \$610,000.

The 2012/13 tax roll value under appeal is \$9,950,777 (1.5% of assessed value). The average value reduction requested for the appeals pending for 2012/13 is 45% and the average parcel assessed value under appeal is \$1.4 million.

The 2011/12 tax roll value under appeal is \$7,886,908 (1.2% of assessed value). The average value reduction requested for the appeals pending for 2011/12 is 40% and the average parcel assessed value under appeal is \$3.9 million.

The value of parcels under appeal for prior years is \$9.5 million, and includes an appeal of 35 vacant residential properties in the Canyon Redevelopment Project by Heathman Hill Associates of the \$4.5 million 2010/11 value of its properties.

Historically, the average value reduction in Merged Project No. 2 when an appeal has been granted is 31%, and of those appeals that have been resolved, the average percentage of appeals that are successful is 24%. If all pending appeals are granted at historical averages, the estimated loss in annual Tax Increment Revenues is not estimated to be more than \$225,000 in future years. If any of these appeals are granted in the future, it will result in a refund to the taxpayer and such refunds will be deducted from Tax Increment Revenues in the year that the refund is paid, and may also affect the assessed value in such future year.

### **Tax Collections**

Under its current policies, the Riverside County Auditor-Controller distributes 100% of tax increment revenues allocated to each redevelopment agency without regard to delinquencies in the payment of property taxes. Due to this allocation method, the Successor Agency receives no adjustments for redemption payments on delinquent collections. The Successor Agency does receive supplemental taxes and refunds, if any, are deducted from amounts available for deposit to the Redevelopment Property Tax Trust Fund.

## FINANCIAL INFORMATION

### Successor Agency Accounting Records and Financial Statements

The activities of the Successor Agency are reported as a fiduciary trust fund as part of the City's Comprehensive Annual Financial Report, which is in accordance with guidance issued by the State Department of Finance and available on its website as of February 4, 2013, interpreting Section 34177(n) of the California Health and Safety Code concerning certain successor agency postaudit obligations. The Successor Agency does not prepare separate financial statements.

Pursuant to the Dissolution Act, the housing assets, housing obligations, and housing activities of the Former Agency have been transferred to the City of Palm Springs after the dissolution date and have been reported in a special fund in the Comprehensive Annual Financial Report. These funds are not under the purview of the State Department of Finance.

The City's financial statements for the Fiscal Year ended June 30, 2013, attached hereto as "APPENDIX D" have been audited by Lance, Soll & Lunghard LLP, Brea, California. The City's audited financial statements are public documents and are included within this Official Statement without the prior approval of the auditor. *Lance, Soll & Lunghard LLP has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Lance, Soll & Lunghard LLP also has not performed any procedures relating to this Official Statement.*

### Tax Incremental Revenues

**Manner in Which Property Valuations and Assessments are Determined (Article XIII A).** On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution which imposes certain limitations on taxes that may be levied against real property. This amendment, which added Article XIII A to the State Constitution, among other things, defines full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by substantial damage, destruction or other factors. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value of that property, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on any bonded indebtedness for the acquisition or improvement of real property which is approved after July 1, 1978 by two-thirds of the votes cast by voters voting on such indebtedness. However, pursuant to an amendment to the California Constitution, redevelopment agencies are prohibited from receiving any of the tax increment revenue attributable to tax rates levied to finance bonds approved by the voters (see "Property Tax Rate" below and "RISK FACTORS - Factors Which May Affect Tax Revenues - Reduction in Inflationary Rate").

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend the terms "purchase" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, to not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county (or in certain cases, another county), to transfer the old residence's assessed value to the new residence.



**Proposition 8 Adjustments.** Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide, and such methodology has been upheld by the California courts.

**Unsecured and Secured Property.** In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." 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, arising pursuant to State law, has priority over all other liens on the secured property, regardless of the time of the creation of the other liens.

Property in the Project Areas is assessed by the Riverside County Assessor except for public utility property which is assessed by the State Board of Equalization.

The valuation of secured property is determined as of January 1 each year for taxes owed with respect to the succeeding Fiscal Year. The tax rate is equalized during the following September of each year, at which time the tax rate is determined. Secured and unsecured property is entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment in addition to a \$20 cost on the second installment. On July 1 of each fiscal year any property which is delinquent will become defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption, together with any other charges permitted by law. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector. 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 for the amount of taxes which are delinquent. Property taxes on the unsecured roll become delinquent, if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1½% per month begins to accrue on November 1 of the fiscal year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

**Supplemental Assessments.** Legislation adopted in 1984 (Section 75, *et seq.* of the Revenue and Taxation Code of the State of California) provides for the supplemental assessment and taxation of property at its full cash value as of the date of a change of ownership or the date of completion of new construction (the "Supplemental Assessments"). To determine the amount of the Supplemental Assessment the County Auditor applies the current year's tax rate to the supplemental assessment roll and computes the amount of taxes that would be due for the full year. The taxes due are then adjusted by a proration factor to reflect the portion of the tax year remaining as determined by the date on which the change in ownership occurred or the new construction was completed. Supplemental Assessments become a lien against the real property on the date of the change of ownership or completion of new construction.

**Unitary Property.** Commencing in the 1988/89 Fiscal Year, the Revenue and Taxation Code of the State of California changed the method of allocating property tax revenues derived from state assessed utility properties. It provides for the distribution of state assessed values to tax rate areas by a county-wide mathematical formula rather than assignment of state assessed value according to the location of those values in individual tax rate areas.

Commencing with the 1988/89 Fiscal Year, each county has established one county-wide tax rate area. The assessed value of all unitary property in the county has been assigned to this tax rate area and one tax rate is levied against all such property (“Unitary Revenues”).

The property tax revenue derived from the assessed value assigned to the county-wide tax rate area shall be allocated as follows: (1) each jurisdiction will be allocated up to 2% of the increase in Unitary Revenues on a pro-rata basis county-wide; and (2) any decrease in Unitary Revenues or increases less than 2%, or any increase in Unitary Revenues above 2% will be allocated among jurisdictions in the same proportion of each jurisdiction’s Unitary Revenues received in the prior year to the total Unitary Revenues county-wide.

Legislation adopted in 2006 (SB 1317, Chapter 872) provides that, commencing with Fiscal Year 2007/08, certain property related to new electrical facilities shall be allocated entirely to the county in which such property is located and property tax revenues derived from such property shall be allocated to such county and certain taxing entities with such county.

**Property Tax Rate.** There are a number of tax rate areas within the Project Areas. The differences between the \$1.00 tax rate and those actually levied (referred to as the “tax override rate”) represents the tax levied by overlapping entities to pay debt service on bonded indebtedness approved by the voters.

Tax override rates typically decline each year. A declining tax override rate is the result of several factors: an effective limit, established by Article XIII A of the California Constitution, on the amount of property taxes that can be levied; rising taxable values within the jurisdictions of taxing entities levying the approved override rate (which reduces the tax rate needed to be levied by the taxing entity to meet debt service requirements); and the eventual retirement, over time, of the voter-approved debt.

Section 34183 of the Dissolution Act effectively eliminated the tax override rate from the calculation of tax increment revenues. Future Tax Increment Revenues have been projected by applying a tax rate of \$1.00 per \$100 of taxable value general levy to incremental taxable values.

**Administrative Costs.** In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. For Fiscal Year 2013/14, the County administrative fees charged to the Project Areas including administration of the Redevelopment Property Tax Trust Fund were \$202,000. In total, the fees represent approximately 1.34% of gross tax increment revenues, excluding revenue generated from the tax override.

## **Tax Sharing Agreements and Tax Sharing Statutes**

### **Tax Sharing Agreements**

Pursuant to prior Section 33401(b) of the Redevelopment Law, a redevelopment agency was authorized to enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project to alleviate any financial burden or detriment caused by the redevelopment project. These agreements are commonly referred to as “tax sharing agreements” or “pass-through agreements.”

The tax sharing agreements (“Tax Sharing Agreements”) entered into with respect to each Redevelopment Project are described in “APPENDIX B – PROJECTED TAX REVENUES.” Certain Tax Sharing Agreements contain provisions that increase the percentage of Tax Increment Revenues payable to certain taxing agencies once certain cumulative or annual Tax Increment Revenue milestones are reached. The projections herein are based on the timing of reaching such milestones. If development were to occur sooner or the assessed value of such affected Redevelopment Project were to increase at levels higher than projected herein, the Tax Sharing Agreement amounts may reach such milestones earlier than projected, in which case, the Tax Sharing Agreement amounts would increase. See “RISK FACTORS – Tax Sharing” herein.

Since dissolution, the County Auditor-Controller calculates and pays the Tax Sharing Agreement amounts.

### **Tax Sharing Statutes**

Certain provisions were added to the Redevelopment Law by the adoption of AB 1290 in 1994. If new territory was added to a redevelopment project, under Section 33607.5 of the Redevelopment Law, any affected taxing entity would share in the Tax Increment Revenues generated by such added area pursuant to a statutory formula (“Statutory Tax Sharing”).

In addition, pursuant to Section 33333.6(e)(2) of the Redevelopment Law, if the Former Agency deleted the time limit to incur indebtedness in a redevelopment project (as amended pursuant to SB 211) or increased the total amount of Tax Increment Revenues to be allocated to the project area or increased the duration of the Redevelopment Plan and the period for receipt of Tax Increment Revenues, Statutory Tax Sharing is required under Section 33607.7 of the Redevelopment Law with all affected taxing entities not already a party to a tax sharing agreement, once the original limitations have been reached.

The Dissolution Act provides for a procedure by which the Successor Agency may make Statutory Tax Sharing amounts subordinate to the Bonds. The Former Agency had not previously undertaken proceedings to subordinate such payments to the Senior Obligations, the 2004A Bonds or the 2004B Bonds, nor will the Successor Agency undertake such procedure with respect to the Bonds.

The Statutory Tax Sharing calculations with respect to each Redevelopment Project are described in “APPENDIX B – PROJECTED TAX REVENUES.” Since dissolution, the County Auditor-Controller calculates and pays the Statutory Tax Sharing amounts.

## **Outstanding Indebtedness**

After refinancing the Refunded Bonds, the Successor Agency will have the following outstanding bonded indebtedness, referred to herein as the "Senior Obligations":

- Merged Project No. 1 Merged Project No. 1 Tax Allocation Bonds, 2007 Series A, currently outstanding in the principal amount of \$12,770,000 and maturing September 1, 2034;
- Merged Project No. 1 Taxable Tax Allocation Bonds, 2007 Series B, currently outstanding in the principal amount of \$1,910,000 and maturing September 1, 2034; and
- Merged Project No. 2 Taxable Tax Allocation Bonds, 2007 Series C, currently outstanding in the principal amount of \$5,985,000 and maturing September 1, 2034

## **Flow of Funds**

The Successor Agency has other enforceable obligations, payment of which is subordinate to the funding of the Senior Obligations and a portion of the Bonds.

The Successor Agency is required to request funding of 100% of the debt service on the Senior Obligations and at least 50% of the debt service on the Bonds and any Parity Debt in the Recognized Obligation Payment Schedule period beginning January 2 of each year. Other enforceable obligations may be paid in such Recognized Obligation Payment Schedule period to the extent those amounts are transferred to the trustee for the Senior Obligations and the Trustee and reserved for such debt service. The Successor Agency is required to request the remaining debt service on the Bonds and any Parity Debt in the Recognized Obligation Payment Schedule period beginning July 1 of each year. Other enforceable obligations may be paid in such Recognized Obligation Payment Schedule period to the extent those amounts are transferred to the Trustee and reserved for such debt service.

## **Projected Tax Revenues and Debt Service Coverage**

Receipt of projected Tax Revenues shown in Table No. 7 in the amounts and at the times projected by the Successor Agency depends on the realization of certain assumptions relating to the Tax Increment Revenues. The Financial Advisor has projected taxable valuation and Tax Revenues in the Project Areas. The Successor Agency believes the assumptions (set forth in "APPENDIX B PROJECTED TAX REVENUES") 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 Tax Revenues received during the forecast period may vary from the projections and the variations may be material, affecting the Successor Agency's ability to timely pay principal of and interest on the Bonds.

**TABLE NO. 7  
PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE**

<b>Fiscal Year</b>	<b>Tax Revenues <sup>(1)</sup></b>	<b>Senior Obligations</b>	<b>Available Tax Revenues</b>	<b>Debt Service*</b>	<b>Coverage Ratio*</b>	<b>Combined Coverage Ratio* <sup>(2)</sup></b>
2015	\$ 9,044,600	\$(1,261,939)	\$ 7,782,661	\$1,855,000	4.20	2.90
2016	9,234,500	(1,258,274)	7,976,226	1,856,000	4.30	2.97
2017	9,884,000	(1,669,330)	8,214,670	1,864,000	4.41	2.80
2018	10,043,600	(1,652,143)	8,391,457	1,849,000	4.54	2.87
2019	10,244,900	(1,642,266)	8,602,634	1,859,000	4.63	2.93
2020	12,979,600	(1,631,234)	11,348,366	1,861,000	6.10	3.72
2021	13,231,300	(1,483,503)	11,747,797	1,854,000	6.34	3.96
2022	13,486,100	(1,455,080)	12,031,020	1,474,000	8.16	4.60
2023	13,743,400	(1,401,351)	12,342,049	1,474,000	8.37	4.78
2024	14,006,900	(1,853,129)	12,153,771	933,000	13.03	5.03
2025	14,195,400	(1,362,938)	12,832,462	935,000	13.72	6.18
2026	14,466,700	(2,107,096)	12,359,604	932,000	13.26	4.76
2027	12,970,500	(2,111,415)	10,859,085	932,000	11.65	4.26
2028	12,958,500	(2,111,644)	10,846,856	935,000	11.60	4.25
2029	13,219,900	(2,117,785)	11,102,115	932,000	11.91	4.33
2030	13,481,800	(2,109,208)	11,372,592	932,000	12.20	4.43
2031	13,580,400	(2,126,543)	11,453,857	936,000	12.24	4.43
2032	13,779,100	(2,138,160)	11,640,940	932,000	12.49	4.49
2033	13,979,700	(2,133,990)	11,845,710	932,000	12.71	4.56
2034	14,184,900	(2,124,604)	12,060,296	935,000	12.90	4.64

<sup>(1)</sup> Gross Tax Increment less County Administrative Charges, Contractual Tax Sharing Agreement payments and Statutory Pass Through payments. See Table No. B-8 and Table No. B-9 in Appendix B hereto.

<sup>(2)</sup> Ratio of Total Tax Revenues to the sum of debt service on the Senior Obligations and the Bonds.

Source: Financial Advisor.

The projected Tax Revenues shown above are subject to several variables described herein (see "APPENDIX B – PROJECTED TAX REVENUES" herein). The Successor Agency provides no assurance that the projected Tax Revenues will be achieved (see "RISK FACTORS" herein).

\* Preliminary, subject to change.

## RISK FACTORS

*The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.*

### Factors Which May Affect Tax Revenues

The ability of the Successor Agency to pay principal of and interest on the Bonds depends on the timely receipt of Tax Revenues as projected herein (see "FINANCIAL INFORMATION - Projected Tax Revenues and Debt Service Coverage" herein). Projections of Tax Revenues are based on the underlying assumptions relating to Tax Increment Revenues of the Project Areas. Tax Revenues allocated to the Successor Agency (which constitute the ultimate source of payment of principal of and interest on the Bonds, as discussed herein) are determined by the amount of incremental valuation of taxable property in the Project Areas, the current rate or rates at which property in the Project Areas is taxed and the percentage of taxes collected in the Project Areas, adjusted to reflect prior claims on the Tax Increment Revenues. A number of factors which may affect Tax Increment Revenues, and consequently, Tax Revenues, are outlined below.

**Reductions in Assessed Value.** 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 Successor 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 Tax Revenues that provide for the repayment of and secure the Bonds. Such reduction of Tax Revenues could have an adverse effect on the Successor Agency's ability to make timely payments of principal of and interest on the Bonds. See also "Possessory Interest Taxes; Bureau of Indian Affairs Regulations" below.

**Article XIII A.** Pursuant to the California voter initiative process, on June 6, 1978, California voters approved Proposition 13 which added Article XIII A to the California Constitution. This amendment imposed certain limitations on taxes that may be levied against real property to 1% of the full cash value of the property, adjusted annually for inflation at a rate not exceeding 2% annually. Full cash value is determined as of the 1975/76 assessment year, upon change in ownership (acquisition) or when newly constructed (see "FINANCIAL INFORMATION - Tax Increment Revenues" herein for a more complete discussion of Article XIII A). 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.

**Reduction in Inflationary Rate.** The annual inflationary adjustment, while limited to 2%, is determined annually and may not exceed the percentage change in the California Consumer Price Index (CCPI).

Because the Revenue and Taxation Code does not distinguish between positive and negative changes in the CCPI used for purposes of the inflation factor, there was a decrease of 0.237% in 2009/10 - applied to the 2010/11 tax roll - reflecting the actual change in the CCPI, as reported by the State Department of Finance. For each fiscal year since Article XIII A has become effective (the 1978/79 fiscal year), the annual increase for inflation has been at least 2% except in eight fiscal years (including for the upcoming Fiscal Year 2014/15) as shown below:

<u>Tax Roll</u>	<u>Percentage</u>
1981/82	1.000%
1995/96	1.190
1996/97	1.110
1998/99	1.853
2004/05	1.867
2010/11	(0.237)
2011/12	0.753
2014/15	0.454

**Proposition 8 Adjustments.** Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. This methodology has been approved by the Fourth District Court of Appeals in a case in which the California Supreme Court declined further review. See "FINANCIAL INFORMATION - Tax Increment Revenues - Proposition 8 Adjustments" herein.

If further Proposition 8 adjustments are made by the County Assessor in future years because of declines in the fair market value of properties caused by the lack of real estate development in the area generally, Tax Revenues may be adversely affected and as a possible consequence its ability to repay the Bonds may be adversely affected.

**Assessment Appeals.** Assessment appeals may be filed by property owners seeking a reduction in the assessed value of their property. After the property owner files an appeal, the County's Appeals Board will hear the appeal and make a determination as to whether or not there should be a reduction in assessed value for a particular property and the amount of the reduction, if any. To the extent that any reductions are made to the assessed valuation of such properties with appeals currently pending, or appeals subsequently filed, Tax Increment Revenues, and correspondingly, Tax Revenues will be reduced. Such reductions may have an adverse effect on the Successor Agency's ability to pay debt service on the Bonds. As of April 2014, there were 175 pending appeals filed by property owners within the Project Areas relating to \$241 million of current year or prior years' assessed value in Merged Project No. 1 and \$61 million of current year or prior years' assessed value in Merged Project No. 2 (see "THE PROJECT AREAS - Assessment Appeals" herein). To the extent these appeals are resolved in favor of the property owner, Tax Revenues will be reduced.

**Earthquake, Flood and Other Risks.** Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Tax Increment Revenues through reduction in the aggregate assessed valuation within the boundaries of the Project Areas.

*Seismic Activity.* According to the Seismic Safety Element of the City's General Plan, the City is located in a seismically active region and the structures in the Project Areas could be impacted by a major earthquake originating from the numerous faults in the area. Seismic hazards encompass both potential surface rupture and ground shaking. The Palm Springs planning area has numerous fault traces that are part of the larger San Andreas Fault Zone. Of primary concern are the Banning Fault, the Palm Canyon Fault and the San Jacinto Fault.

Ground rupture occurred along the Banning Fault Zone as a result of a magnitude 5.9 earthquake on July 8, 1986. Only minor damage was sustained by any structures within the City. The San Jacinto Fault approaches within 6.5 miles of the City and is considered to be one of the major branches of the San

Andreas Fault system, extending from Cajon Pass (near San Bernardino) into Mexico. The San Jacinto Fault Zone is considered to be the most seismically active fault zone in southern California. The Palm Canyon Fault is exposed in the bedrock in the southeastern portion of the City and has been inferred by researchers as extending northward beneath the City under the alluvium. No evidence is available as to the existence or precise location of the Palm Canyon Fault within the alluvium or regarding its potential activity.

*Flood Hazards.* Approximately 350 acres within Merged Project No. 1 are identified as potentially subject to inundation in a 100 year flood event (25 acres in the Ramon-Bogie Redevelopment Project and all 325 acres in the Highland-Gateway Redevelopment Project). Another approximately 850 acres within Merged Project No. 1 are within the boundaries identified for a 100 to 500 year flood event. Approximately 746 acres within Merged Project No. 2 (all of the Canyon Redevelopment Project) are identified as potentially subject to inundation in a 100 year flood event. Another approximate 200 acres within Merged Project No. 2 are within the boundaries identified for a 100 to 500 year flood event. The remainder of the properties within the Project Areas are outside mapped flood areas.

The City of Palm Springs has adopted an Emergency Plan. The plan includes a hazard analysis for earthquake, flood, landslide and fire risk and is required to comply with FEMA requirements for disaster relief funding.

The occurrence of any natural or man-made disaster or hazard may significantly reduce Tax Increment Revenues received by the Successor Agency and may adversely impact the Successor Agency's ability to pay debt service on the Bonds.

**Hazardous Substances.** An additional environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of a hazardous substance that would limit the beneficial use of a property within the Project Areas. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner (or operator) may be required to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Areas be affected by a hazardous substance would be to reduce the marketability and value of the property, perhaps by an amount in excess of the costs of remedying the condition. The Successor Agency can give no assurance that future development will not be limited by these conditions.

**Development Risks.** The Successor Agency's collection of Tax Revenues is directly affected by the economic strength of the Project Areas. Projected or potential development within the Project Areas will be subject to all the risks generally associated with real estate development projects, including unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in real estate market and interest rates, unexpected increases in development costs and 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 projected development in the Project Areas is delayed or halted, the economy of the Project Areas could be affected, causing a reduction in Tax Revenues available to pay debt service on the Bonds.

**Certain Bankruptcy Risks.** The enforceability of the rights and remedies of the Owners of the Bonds and the obligations of the Successor Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and



legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

**Limited Obligations.** The Successor Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provision of additional sources of income to taxing agencies having the effect of reducing the property tax rate must necessarily reduce the amount of Tax Increment Revenues, and consequently, Tax Revenues that would otherwise be available to pay the principal of, and interest on the Bonds.

**Interpretation of and Future Changes in the Law; Voter Initiatives.** The Redevelopment Law and the Dissolution Act are complex bodies of law and their application to the Successor Agency, the Redevelopment Plans and the Project Areas may be subject to different interpretations by the Successor Agency, the Department of Finance, the County Auditor-Controller, Taxing Entities and other interested parties, including with respect to Plan Limitations, Statutory Tax Sharing obligations and Enforceable Obligations.

In addition to the existing limitations on Tax Increment Revenues described in this Official Statement under "FINANCIAL INFORMATION - Tax Increment Revenues," the California electorate or Legislature could adopt future limitations with the effect of reducing Tax Increment Revenues payable to the Successor Agency.

## **Real Estate and General Economic Risks**

Tax Increment Revenues as presented herein as available for payment of any indebtedness of the Successor Agency are based upon the latest actual assessed values for the 2013/14 Fiscal Year. Redevelopment of real property within the Project Areas by the City, as well as private development in the Project Areas, may be adversely affected by changes in general economic conditions, fluctuations in the real estate markets and interest rates, unexpected increases in development costs, changes in or new governmental policies including governmental policies to restrict or control certain kinds of development and by other similar factors. If development and redevelopment activities in the Project Areas encounters significant obstacles of the kind described herein or other impediments, the economy of the area in and around the Project Areas could be adversely affected, causing reduced taxable valuation of property in the Project Areas a reduction of the Tax Increment Revenues and a consequent reduction in Tax Revenues available to repay the Bonds. Due to the decline in the general economy of the region, 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 Tax Revenues received by the Successor Agency from the Project Areas.

## **Possessory Interest Taxes; Bureau of Indian Affairs Regulations**

The City has enjoyed a long relationship with the Agua Caliente Band of Cahuilla Indians. Established in 1876, the Agua Caliente reservation now contains more than 32,000 acres in a checkerboard pattern spanning parts of the City, Cathedral City, Rancho Mirage and the San Jacinto and Santa Rosa mountains. As a result of this checkerboard pattern, the reservation is deeply connected to the local communities and infrastructure of the City.

Certain residents of and businesses in Palm Springs lease property on reservation land. When a person or entity leases, rents, or uses real estate owned by a government agency for its exclusive use, a taxable possessory interest occurs. The County collects possessory interest taxes pursuant to, among other authority, Sections 61, 107-107.9 of the Revenue and Taxation Code of the State of California from non-tribal members who lease property on reservation land. For fiscal year 2012/13, the County collected approximately \$29 million in such possessory interest taxes, County-wide. The County then redistributes

portions of such taxes to cities, school districts and other local governments, including the City and the Successor Agency.

On December 5, 2012, the Department of the Interior, Bureau of Indian Affairs promulgated final federal regulations, that became effective on January 4, 2013, governing the applicability of state and local taxes on surface property interests in leased tribal land. The regulations (25 CFR 162.017) (the "Property Taxation Regulations") provide that –

- (a) Subject only to applicable Federal law, permanent improvements on the leased land, without regard to ownership of those improvements, are not subject to any fee, tax, assessment, levy, or other charge imposed by any State or political subdivision of a State. Improvements may be subject to taxation by the Indian tribe with jurisdiction.
- (b) Subject only to applicable Federal law, activities under a lease conducted on the leased premises are not subject to any fee, tax, assessment, levy, or other charge (e.g., business use, privilege, public utility, excise, gross revenue taxes) imposed by any State or political subdivision of a State. Activities may be subject to taxation by the Indian tribe with jurisdiction.
- (c) Subject only to applicable Federal law, the leasehold or possessory interest is not subject to any fee, tax, assessment, levy, or other charge imposed by any State or political subdivision of a State. Leasehold or possessory interests may be subject to taxation by the Indian tribe with jurisdiction.

In light of the Property Taxation Regulations, the Agua Caliente Band of Cahuilla Indians has sued the County and various related County defendants (Agua Caliente Band of Cahuilla Indians v. Riverside County, et al.; Case No. 14-00007JGB) in U.S. District Court for the Central District of California, Eastern Division to prevent the assessment of possessory interest taxes on tribal land, including land located in Palm Springs. In the complaint, the tribe argues that the possessory interest tax increases the economic burden on the tribe and its members by devaluing Indian land leases. According to the complaint, the tax also limits the tribe's income, since it has agreed to forgo its own tax to avoid the double taxation of leaseholders. The litigation is in the early stages. If the tribe ultimately prevails, however, leaseholders may potentially be entitled to refunds of possessory interest taxes collected by the County during the four year period prior to commencement of the litigation. The City and the Successor Agency cannot predict the outcome of this or any other litigation relating to possessory interest taxes or any other taxes imposed on leased tribal property.

Six of the ten Redevelopment Projects have assessed value derived from possessory interest on tribal land. If the tribe prevails with respect to their claims, the loss of Tax Revenue net of tax sharing amounts, has been estimated as follows:

	Possessory Interest Value	Related Base Year Value	Net Impact on Incremental Value	General Levy	Tax Revenue Net of Tax Sharing
Ramon/Bogie	\$ 75,782,209	\$ (10,663,083)	\$ 65,119,126	\$ 651,200	\$ 361,800
South Palm Canyon	18,161,663	(8,251,661)	9,910,002	99,100	49,500
Project No. 9	<u>36,520,190</u>	<u>(9,956,592)</u>	<u>26,563,598</u>	<u>265,600</u>	<u>137,200</u>
Merged Project No. 1	\$130,464,062	\$ (28,871,336)	\$101,592,726	\$1,015,900	\$ 548,500
Percent of Project Area Tax Revenues					9.2%
Baristo-Farrell	\$ 68,358,423	\$ (24,609,845)	\$ 43,748,578	\$ 437,500	\$ 199,400
Tahquitz-Andreas Canyon	131,555,662	(56,938,399)	74,617,263	746,200	445,300
	<u>44,650,361</u>	<u>(2,417,681)</u>	<u>42,232,680</u>	<u>422,300</u>	<u>223,200</u>
Merged Project No. 2	\$244,564,446	\$ (83,965,925)	\$160,598,521	\$1,606,000	\$ 867,900
Percent of Project Area Tax Revenues					28.3%
Combined Project Areas	\$375,028,508	\$(112,837,261)	\$262,191,247	\$2,621,900	\$1,416,400
Percent of Project Areas Tax Revenues					15.7%

## Tax Sharing

Certain Tax Sharing Agreements contain provisions that increase the percentage of Tax Increment Revenues payable to certain taxing agencies once certain cumulative or annual Tax Increment Revenue milestones are reached. The projections herein are based on the timing of reaching such milestones. If development were to occur sooner or the assessed value of such affected Redevelopment Project were to increase at levels higher than projected herein, the Tax Sharing Agreement amounts may reach such milestones earlier than projected, in which case, the Tax Sharing Agreement amounts would increase, and Tax Revenues would decrease.

## State of California Fiscal Issues

AB X1 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 AB X1 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, AB X1 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 2013/14 did not include any additional legislation dealing with dissolution of redevelopment agencies. There is legislation and litigation pending that deals with a wide range of dissolution issues. 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 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 current State budget summary, the current State budget, and other documents related to the State budget may be found at the website of the State Department of Finance, [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 Successor 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 only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance 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. Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Successor 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 Schedules." In the event the Successor Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period.

The Successor Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the Bonds as well as any amount required under the Indenture to replenish the Reserve Account of the Debt Service Fund, in Recognized Obligation Payment Schedules for each six-month period and to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indenture or the Parity Bond Indentures or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Bonds for the next payment due in the following six-month period (see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Covenants of the Successor Agency").

The Dissolution Act also contains certain penalties in the event the Successor Agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Successor 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 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If the Successor Agency does not submit an Oversight Board-approved 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 Successor Agency's administrative cost allowance is reduced by 25% if the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule 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.

The Successor Agency has submitted all Recognized Obligation Payment Schedules, duly approved by the Oversight Board, in a timely manner.

### **IRS Audit of Tax-Exempt Bond Issues**

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

### **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.

## **LEGAL MATTERS**

### **Enforceability of Remedies**

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

### **Approval of Legal Proceedings**

Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, will render an opinion which states that the Indenture is a valid and binding obligation of the Successor Agency and enforceable in accordance with its terms. The legal opinion of Bond Counsel will be subject to the effect of bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity. See "APPENDIX F" for the proposed form of Bond Counsel's opinion.

The Successor Agency has no knowledge of any fact or other information which would indicate that the Indenture is not so enforceable against the Successor Agency, except to the extent such enforcement is limited by principles of equity and by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

Certain legal matters will be passed on for the Successor Agency by Woodruff, Spradlin & Smart, Successor Agency Counsel. Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Los Angeles, California, will also pass on certain legal matters for the Successor Agency as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. Fees payable to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

### **Tax Matters**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Successor Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds. The Successor Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in "APPENDIX F - PROPOSED FORM OF BOND COUNSEL OPINION."

## **Litigation**

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor 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 Successor Agency taken with respect to any of the foregoing.

## **CONCLUDING INFORMATION**

### **Ratings on the Bonds**

Standard & Poor's is expected to assign its rating of "\_\_\_" to the Bonds. Such rating reflects only the views of the rating agency and any desired explanation of the significance of such rating should be obtained from the rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Except as otherwise required in the Continuing Disclosure Certificate, the Successor Agency undertakes no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

### **The Financial Advisor**

The material contained in this Official Statement was prepared by the Successor Agency with the assistance of Harrell & Company Advisors, LLC, Orange, California, an independent financial consulting firm, which advised the Successor Agency as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein has been obtained by the Successor Agency from sources which are believed to be reliable, but such information is not guaranteed by the Financial Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Financial Advisor are contingent upon the sale and delivery of the Bonds.

### **Verifications of Mathematical Computations**

Grant Thornton LLP will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the cash and investments, together with investment earnings thereon, listed in the schedules prepared by the Financial Advisor, to be held in escrow, will be sufficient to pay, when due, the principal, redemption premium and interest requirements of the Refunded Bonds, and (2) the computation of yield on the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest with respect to the Bonds is exempt from federal taxation. Grant Thornton LLP will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest with respect to the Bonds.

### **Continuing Disclosure**

The Successor Agency will covenant to provide annually certain financial information and operating data relating to the Project Areas by not later than February 15 each year commencing March 31, 2015, to provide the audited Financial Statements of the City for the Fiscal Year ending June 30, 2014 and for each subsequent Fiscal Year when they are available (together, the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events. The Annual Report will be filed by the Financial Advisor as Dissemination Agent, on behalf of the Successor Agency on the Electronic Municipal Market Access Website ("EMMA") operated by the Municipal Securities Rulemaking Board ([www.emma.msrb.org](http://www.emma.msrb.org)). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the continuing disclosure obligation are summarized in "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE."



The Former Agency and the Successor Agency have never failed to comply in all material respects with any undertaking made pursuant to the Rule in the previous five years. In 2010, the Annual Report filings for the Former Agency's 6 outstanding bond issues were complete before the March 31, 2010 due date. However, the Former Agency's audited financial statements were posted on EMMA on April 12, 2010. The Successor Agency considers that it, and the Former Agency, were in compliance in all material respects with respect to the undertaking for its outstanding issues.

### **Underwriting**

The Bonds were sold to Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), who is offering the Bonds at the prices set forth on the inside front cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter has purchased the Bonds at a price equal to \$ \_\_\_\_\_ ( \_\_\_\_\_ %), which amount represents the principal amount of the Bonds (\$ \_\_\_\_\_) plus an original issue premium of \$ \_\_\_\_\_, less an Underwriter's discount of \$ \_\_\_\_\_. The Underwriter will pay certain of its expenses relating to the offering.

### **Additional Information**

The summaries and references contained herein with respect to the Indenture, the Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds are qualified in their entirety by reference to the form hereof included in the Indenture. Copies of the Indenture are available for inspection during the period of initial offering of the Bonds at the offices of the Financial Advisor, Harrell & Company Advisors, LLC, 333 City Boulevard West, Suite 1430, Orange, California 92868, telephone (714) 939-1464. Copies of this document may be obtained after delivery of the Bonds from the Successor Agency at 3200 E. Tahquitz Canyon Way, Palm Springs, California 92262.

### **References**

All statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Successor Agency and the purchasers or Owners of any of the Bonds.

### **Execution**

The execution and delivery of this Official Statement by the City Manager, acting as the chief administrative officer of the Successor Agency has been duly authorized by the Successor Agency.

## **SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY**

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

**APPENDIX A**  
**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**  
[TO BE PROVIDED BY BOND COUNSEL]

## APPENDIX B

### PROJECTED TAX REVENUES

#### **Dissolution Act**

On June 29, 2011, Assembly Bill No. 26 ("AB X1 26") was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 ("AB X1 27"). A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4<sup>th</sup> 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. The California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 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 Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The AB X1 26 was amended on June 27, 2012 by Assembly Bill No. 1484 ("AB 1484"), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, the "Dissolution Act").

In accordance with the Dissolution Act, as of February 1, 2012, the Community Redevelopment Agency of the City of Palm Springs (the "Former Agency") was dissolved and the City Council of the City serves as Successor Agency to the Palm Springs Community Redevelopment Agency (the "Agency") pursuant Section 34173 of the Dissolution Act.

#### **Tax Allocation Financing**

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. First, the assessed valuation of the taxable property in a project area, as last equalized prior to adoption of the redevelopment plan, was established and became the base roll. Thereafter, except for any period during which the assessed valuation drops below the base year level, the taxing agencies, on behalf of which taxes are levied on property within the project area, receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll could be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves have no authority to levy taxes on property.

The Dissolution Act now requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency had the Former Agency not been dissolved pursuant to the operation of AB X1 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 (the "Redevelopment Property Tax Trust Fund") 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 Former Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 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.

## Tax Increment Revenues

As provided in each of the Redevelopment Plans for each of the ten separate project areas (collectively, the "Project Areas" and individually a "Project Area"), and pursuant to Article 6 of Chapter 6 of the Redevelopment Law, and Section 16 of Article XVI of the Constitution of the State, taxes levied upon taxable property in the respective Project Area each year by or for the benefit of the State, for cities, counties, districts or other public corporations (collectively, the "Taxing Agencies") for fiscal years beginning after the effective date of the respective Redevelopment Plan, will be divided as follows:

1. To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of 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
2. To the Former 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, when collected will be paid into a special fund of the Former 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 Former Agency or the Agency to finance or refinance the redevelopment projects of the Former 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.

The amounts calculated in accordance with the provisions described above are referred to herein as "Tax Increment Revenues."

## **Redevelopment Plans**

The Former Agency had adopted 10 separate Redevelopment Plans and Project Areas. In 2000, the Former Agency merged 7 of the 10 Project Areas ("Merged Project No. 1") and the 3 remaining Project Areas were also merged ("Merged Project No. 2").

### **Constituent Redevelopment Projects Comprising Merged Project No. 1**

The City Council approved and adopted the Redevelopment Plan for the Central Business District Redevelopment Project on July 11, 1973. It was subsequently amended on November 11, 1986 to add certain financial limitations, on December 21, 1994 and on December 15, 1999 to add limitations prescribed by AB 1290 and AB 1342 (see "Plan Limitations" below), on May 31, 2000 to merge the Redevelopment Project with six of the Agency's other redevelopment projects to form Merged Project No. 1 and on May 5, 2004 to eliminate the limitation on incurring debt pursuant to the provisions of SB 211 and to extend the Redevelopment Plan and the ability to collect tax increment revenue by one additional year pursuant to the provisions of SB 1045 (see "Plan Limitations" below).

The City Council approved and adopted the Redevelopment Plan for the South Palm Canyon Redevelopment Project on November 30, 1983. It was subsequently amended on December 21, 1994 and on December 15, 1999 to add limitations prescribed by AB 1290 and AB 1342, on May 31, 2000 to merge the Redevelopment Project with six of the Agency's other redevelopment projects to form Merged Project No. 1 and on May 5, 2004 to eliminate the limitation on incurring debt pursuant to the provisions of SB 211 and to extend the Redevelopment Plan and the ability to collect tax increment revenue by one additional year pursuant to the provisions of SB 1045.

The City Council approved and adopted the Redevelopment Plan for the Ramon-Bogie Redevelopment Project on November 30, 1983. It was subsequently amended on December 21, 1994 and on December 15, 1999 to add limitations prescribed by AB 1290 and AB 1342, on May 31, 2000 to merge the Redevelopment Project with six of the Agency's other redevelopment projects to form Merged Project No. 1 and on May 5, 2004 to eliminate the limitation on incurring debt pursuant to the provisions of SB 211 and to extend the Redevelopment Plan and the ability to collect tax increment revenue by one additional year pursuant to the provisions of SB 1045.

The City Council approved and adopted the Redevelopment Plan for the Oasis Redevelopment Project on July 10, 1984. It was subsequently amended on December 21, 1994 and on December 15, 1999 to add limitations prescribed by AB 1290 and AB 1342, on May 31, 2000 to merge the Redevelopment Project with six of the Agency's other redevelopment projects to form Merged Project No. 1 and on May 5, 2004 to eliminate the limitation on incurring debt pursuant to the provisions of SB 211 and to extend the Redevelopment Plan and the ability to collect tax increment revenue by one additional year pursuant to the provisions of SB 1045.

The City Council approved and adopted the Redevelopment Plan for the North Palm Canyon Redevelopment Project on September 19, 1984. It was subsequently amended on December 21, 1994 and on December 15, 1999 to add limitations prescribed by AB 1290 and AB 1342, on May 31, 2000 to merge the Redevelopment Project with six of the Agency's other redevelopment projects to form Merged Project No. 1 and on May 5, 2004 to eliminate the limitation on incurring debt pursuant to the provisions of SB 211 and to extend the Redevelopment Plan and the ability to collect tax increment revenue by one additional year pursuant to the provisions of SB 1045.

The City Council approved and adopted the Redevelopment Plan for the Highland-Gateway Redevelopment Project on November 20, 1984. It was subsequently amended on December 21, 1994 and on December 15, 1999 to add limitations prescribed by AB 1290 and AB 1342, on May 31, 2000 to merge the Redevelopment Project with six of the Agency's other redevelopment projects to form Merged Project No. 1 and on May 5, 2004 to eliminate the limitation on incurring debt pursuant to the provisions of SB 211

and to extend the Redevelopment Plan and the ability to collect tax increment revenue by one additional year pursuant to the provisions of SB 1045.

The City Council approved and adopted the Redevelopment Plan for Redevelopment Project No. 9 on December 29, 1988. It was subsequently amended on December 21, 1994 to add limitations prescribed by AB 1290, on May 31, 2000 to merge the Redevelopment Project with six of the Agency's other redevelopment projects to form Merged Project No. 1 and on May 5, 2004 to eliminate the limitation on incurring debt pursuant to the provisions of SB 211 and to extend the Redevelopment Plan and the ability to collect tax increment revenue by one additional year pursuant to the provisions of SB 1045.

#### **Constituent Redevelopment Projects Comprising Merged Project No. 2**

The City Council approved and adopted the Redevelopment Plan for the Tahquitz-Andreas Redevelopment Project on July 19, 1983. It was subsequently amended on December 21, 1994 and on December 15, 1999 to add limitations prescribed by AB 1290 and AB 1342, on May 31, 2000 to merge the Redevelopment Project with two of the Agency's other redevelopment projects to form Merged Project No. 2 and on May 5, 2004 to eliminate the limitation on incurring debt pursuant to the provisions of SB 211 and to extend the Redevelopment Plan and the ability to collect tax increment revenue by one additional year pursuant to the provisions of SB 1045.

The City Council approved and adopted the Redevelopment Plan for the Baristo-Farrell Redevelopment Project on May 7, 1986. It was subsequently amended on December 21, 1994 and on December 15, 1999 to add limitations prescribed by AB 1290 and AB 1342, on May 31, 2000 to merge the Redevelopment Project with two of the Agency's other redevelopment projects to form Merged Project No. 2 and on May 5, 2004 to eliminate the limitation on incurring debt pursuant to the provisions of SB 211 and to extend the Redevelopment Plan and the ability to collect tax increment revenue by one additional year pursuant to the provisions of SB 1045.

The City Council approved and adopted the Redevelopment Plan for the Canyon Redevelopment Project on July 19, 1991. It was subsequently amended on December 21, 1994 to add limitations prescribed by AB 1290, on May 31, 2000 to merge the Redevelopment Project with two of the Agency's other redevelopment projects to form Merged Project No. 2 and on May 5, 2004 to eliminate the limitation on incurring debt pursuant to the provisions of SB 211 and to extend the Redevelopment Plan and the ability to collect tax increment revenue by one additional year pursuant to the provisions of SB 1045.

## Plan Limitations

The Redevelopment Plans for the Project Areas impose certain limitations on the amount of Tax Increment Revenues that the Agency may be allocated from the Project Areas, the amount of bonded indebtedness that may be incurred by the Project Areas and the time limit for receiving Tax Increment Revenues.

The limitations imposed by the respective Redevelopment Plans are as follows:

<u>Redevelopment Project</u>	<u>Maximum Bonded Indebtedness</u>	<u>Maximum Tax Increment</u>	<u>Plan Expiration Date</u>	<u>Last Date to Collect Tax Increment</u>	<u>Tax Increment Received to Date</u> <sup>(2)</sup>
Central Business District	N/A <sup>(1)</sup>	\$150,000,000	7/11/2026	7/11/2026	\$40,891,000
North Palm Canyon	\$64,000,000	65,000,000	9/19/2025	9/19/2035	14,049,000
South Palm Canyon	80,000,000	80,000,000	11/30/2026	11/30/2036	10,970,000
Oasis	30,000,000	30,000,000	7/10/2025	7/10/2035	4,044,000
Highland-Gateway	50,000,000	50,000,000	11/20/2025	11/20/2035	7,477,000
Ramon-Bogie	100,000,000	100,000,000	11/30/2026	11/30/2036	15,454,000
Project No. 9	60,000,000	6,000,000 <sup>(3)</sup> (annual)	12/29/2029	12/29/2039	4,080,000 <sup>(3)</sup> (annual)
Baristo-Farrell	80,000,000	345,000,000	5/7/2027	5/7/2037	35,750,000
Tahquitz-Andreas Canyon	90,000,000	90,000,000	7/19/2026	7/19/2033	27,249,000
	800,000,000	2,100,000,000	7/19/2032	7/19/2042	18,986,000

<sup>(1)</sup> Not required for plans adopted prior to 1976.

<sup>(2)</sup> As of June 1, 2014, rounded to the nearest thousand.

<sup>(3)</sup> Project No. 9 has an annual limitation rather than a cumulative limitation on the receipt of Tax Increment.

Since the Dissolution Act, as of June 2014, the County has distributed \$5,660,594 in residual Tax Increment Revenues to the Taxing Agencies, and not to the Agency. While this suggests that such residual distribution should not be included in the cumulative tax increment totals, the Agency has no method of allocating this residual among the Project Areas.

## Low and Moderate Income Housing

Prior to the Dissolution Act, not less than 20% of Tax Increment Revenues was required to be set aside annually for the purpose of increasing and improving the community's supply of low and moderate income housing available at affordable housing costs to persons and families of very low, low or moderate income households (the "Housing Set-Aside"). Under the Redevelopment Law, the portion of Tax Increment Revenues which were required to be deposited in the Former Agency's Low and Moderate Income Housing Fund could be pledged to pay the portion of debt service on any obligations to the extent the proceeds thereof were expended for qualifying low- and moderate-income housing projects. A portion of the proceeds from the 2001 Bonds issued by the Former Agency were set aside in the Former Agency's Low and Moderate Income Housing Fund. After the refinancing of the 2001 Bonds with the proceeds of the Bonds, there are no obligations with a prior claim on the former Housing Set-Aside.

## Historical Assessed Value and Tax Increment Revenues

Historical assessed value for Merged Project No. 1 based on the equalized tax rolls are shown below.

**TABLE NO. B-1  
MERGED PROJECT NO. 1  
HISTORICAL ASSESSED VALUATIONS <sup>(1)</sup>**

<u>Project Area</u>	<u>Base Value</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Central Business District	\$ 35,805,588	\$ 256,901,237 <sup>(2)</sup>	\$ 202,283,368	\$ 191,727,922	\$ 202,121,825	\$ 195,270,951 <sup>(3)</sup>
Oasis	6,216,941	45,334,836	41,606,584	41,435,144	40,720,624	40,540,340
North Palm Canyon	58,368,599	177,306,237	162,393,631	162,700,662	179,365,419	176,789,817
Highland Gateway	13,076,698	97,449,571	85,877,326	85,563,847	77,130,573	74,604,313
Ramon/Bogie	24,113,819	181,097,487	191,121,640	192,209,611	191,332,998	190,337,750
South Palm Canyon	52,364,719	132,281,824	130,855,665	121,704,405	120,306,659	121,925,359
Project No. 9	<u>146,554,451</u>	<u>597,619,263</u>	<u>553,735,511</u>	<u>553,462,664</u>	<u>535,480,289</u>	<u>554,510,620</u>
	\$336,500,815	\$1,487,990,455	\$1,367,873,725	\$1,348,804,255	\$1,346,458,387	\$1,353,979,150

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

<sup>(2)</sup> In 2009/10, the Desert Museum did not file for its exemption from property tax in timely manner. The assessed value added to the 2009/10 tax roll for this property was \$50,856,870. The property owner filed and received its property tax exemption in all other years.

<sup>(3)</sup> The City has undertaken a revitalization project in its downtown, affecting the Central Business District Redevelopment Project. Assessed value in future years may change as properties are demolished and/or reconstructed. In 2012, the City acquired parking structures that were previously assessed in the approximate amount of \$20 million.

Source: Riverside County Auditor-Controller



Actual Tax Increment Revenues paid to the Former Agency or available to the Successor Agency from Merged Project No. 1 are shown below.

**TABLE NO. B-2  
MERGED PROJECT NO. 1  
HISTORICAL TAX REVENUES**

<u>Project Area</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Central Business District	\$ 2,211,046	\$ 1,682,195	\$ 1,581,428	\$ 1,684,561	\$ 1,617,149
Oasis	391,179	355,329	354,587	347,424	345,729
North Palm Canyon	1,190,636	1,049,568	1,055,507	1,221,799	1,196,766
Highland Gateway	852,129	730,204	729,222	644,597	619,625
Ramon/Bogie	1,569,837	1,675,484	1,690,923	1,681,791	1,672,683
South Palm Canyon	800,361	791,164	701,869	687,583	704,202
Project No. 9	<u>4,520,798</u>	<u>4,085,825</u>	<u>4,094,723</u>	<u>3,914,682</u>	<u>4,105,751</u>
Total Tax Increment	\$11,535,986	\$10,369,770	\$10,208,259	\$10,182,436	\$10,261,905
Supplemental Taxes	<u>329,451</u>	<u>153,174</u>	<u>(127,598)</u>	<u>67,394</u>	<u>108,705</u>
Actual Tax Revenues	\$11,865,437	\$10,522,944	\$10,080,660	\$10,249,829	\$10,370,610
Housing Set-Aside	(2,373,087)	(2,104,589)	-	-	-
Housing Obligations <sup>(1)</sup>	-	-	(314,627)	(319,872)	(312,649)
Tax Sharing	<u>(4,195,077)</u>	<u>(3,844,771)</u>	<u>(3,755,423)</u>	<u>(3,894,637)</u>	<u>(4,191,063)</u>
<b>Available for Debt Service <sup>(2)</sup></b>	<b>\$ 5,297,273</b>	<b>\$ 4,573,584</b>	<b>\$ 6,010,610</b>	<b>\$ 6,035,320</b>	<b>\$ 5,866,898</b>

<sup>(1)</sup> Prorata share of 2001 Housing Tax Allocation based on amounts from each Project Area that would have been required to be set aside for Low and Moderate Income Housing.

<sup>(2)</sup> Before deduction for County Auditor-Controller administrative costs.

Source: Former Agency audited financial statements and Riverside County Auditor-Controller.

Historical assessed value for Merged Project No. 2 based on the equalized tax rolls are shown below.

**TABLE NO. B-3  
MERGED PROJECT NO. 2  
HISTORICAL ASSESSED VALUATIONS <sup>(1)</sup>**

<u>Project Area</u>	<u>Base Value</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Baristo-Farrell	\$105,804,243	\$397,275,476	\$396,339,421	\$327,556,820	\$323,684,127	\$320,291,939
Tahquitz-Andreas	67,120,387	199,756,631	181,108,005	163,345,309	172,514,432	172,670,659
Canyon	<u>9,543,553</u>	<u>225,569,286</u>	<u>181,314,166</u>	<u>169,638,515</u>	<u>166,927,247</u>	<u>176,278,489</u>
	\$182,468,183	\$822,601,393	\$758,761,592	\$660,540,644	\$663,125,806	\$669,241,087

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

Source: Riverside County Auditor-Controller.

Actual Tax Increment Revenues paid to the Former Agency or available to the Successor Agency from Merged Project No. 2 are shown below.

**TABLE NO. B-4  
MERGED PROJECT NO. 2  
HISTORICAL TAX REVENUES**

<u>Project Area</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Baristo-Farrell	\$ 2,915,585	\$ 2,930,878	\$ 985,787	\$ 1,076,553	\$ 2,179,265
Tahquitz-Andreas	1,327,973	1,159,937	2,251,917	2,212,103	1,079,008
Canyon	<u>2,160,327</u>	<u>1,723,762</u>	<u>1,699,704</u>	<u>1,584,359</u>	<u>1,678,510</u>
Total Tax Increment	\$ 6,403,886	\$ 5,814,577	\$ 4,937,408	\$ 4,873,014	\$ 4,936,784
Supplemental Taxes	<u>106,680</u>	<u>(123,360)</u>	<u>(102,842)</u>	<u>(131,743)</u>	<u>210,784</u>
Actual Tax Revenues	\$ 6,510,566	\$ 5,691,217	\$ 4,834,566	\$ 4,741,271	\$ 5,147,568
Housing Set-Aside	(1,302,113)	(1,138,243)	-	-	-
Housing Obligations <sup>(1)</sup>	-	-	(150,891)	(147,964)	(155,187)
Tax Sharing	<u>(2,478,435)</u>	<u>(2,168,343)</u>	<u>(1,753,928)</u>	<u>(1,785,645)</u>	<u>(2,004,992)</u>
Available for Debt Service <sup>(2)</sup>	\$ 2,730,018	\$ 2,384,631	\$ 2,929,747	\$ 2,807,662	\$ 2,987,389

<sup>(1)</sup> Prorata share of 2001 Housing Tax Allocation based on amounts from each Project Area that would have been required to be set aside for Low and Moderate Income Housing.

<sup>(2)</sup> Before deduction for County Auditor-Controller administrative costs.

Source: Former Agency audited financial statements and Riverside County Auditor-Controller.

## Major Taxpayers

The ten largest property taxpayers represent 14.7% of the 2013/14 secured assessed value of the Merged Project No. 1.

**TABLE NO. B-5  
MERGED PROJECT NO. 1  
TEN LARGEST TAXPAYERS AS A PERCENT OF 2013/14 ASSESSED VALUE**

<u>Taxpayer</u>	<u>2013/14 Total Assessed Value</u>	<u>% of Total Assessed Value</u>
Endure Investment	\$ 47,667,206	3.5%
Wal Mart Real Estate Business Trust	29,853,768	2.2%
Palm Springs Promenade	19,677,230	1.5%
RBD Hotel Palm Springs	18,941,005	1.4%
Lowes HIW Inc.	16,454,214	1.2%
Wessman Holdings	14,816,186	1.1%
Partners Land Development	14,224,762	1.1%
Colony Canyon Partners	13,587,208	1.0%
Investec Ramon Investors	11,720,704	0.9%
FDH Enterprises Inc	<u>11,465,508</u>	<u>0.8%</u>
Total	\$198,407,791	14.7%

Source: Successor Agency.

The ten largest property taxpayers represent 24.8% of the 2013/14 secured assessed value of the Merged Project No. 2.

**TABLE NO. B-6  
MERGED PROJECT NO. 2  
TEN LARGEST TAXPAYERS AS A PERCENT OF 2013/14 ASSESSED VALUE**

<u>Taxpayer</u>	<u>2013/14 Total Assessed Value</u>	<u>% of Total Assessed Value</u>
HH Palm Springs	\$ 39,847,320	6.0%
Walter Hotel Corporation	24,303,671	3.6%
Sunrise Place	23,338,209	3.5%
O and M HR	14,091,251	2.1%
311 South Sunrise Apartments	13,359,847	2.0%
Tree Moss Partners	11,900,000	1.8%
Time Warner Entertainment	10,055,042	1.5%
Essex House Condominium Corp	9,685,000	1.4%
YTC Investment	9,664,500	1.4%
Zoso APHM	<u>9,500,000</u>	<u>1.4%</u>
Total	\$165,744,840	24.8%

Source: Successor Agency.

## Assessment Appeals

### Merged Project No. 1

As of April 2014 there are appeals pending on 105 separate parcels within Merged Project No. 1, of which 38 relate to property values assessed on the 2013/14 tax roll, 38 relate to property values assessed on the 2012/13 tax roll and 12 relate to the 2011/12 tax roll. The remaining 17 pending appeals relate to prior years' tax rolls.

The 2013/14 tax roll value under appeal is \$63,732,609 (4.9% of assessed value). This includes an appeal by RBD Hotel Palm Springs LLC of the \$18,941,005 value of its Hyatt Hotel located in the Central Business District Redevelopment Project. The owner is requesting a reduction in value of this parcel to \$9,822,000, a 48% reduction. The average value reduction requested for the other 37 appeals pending for 2013/14 is 53%, and the average parcel assessed value under appeal is less than \$1.3 million.

The 2012/13 tax roll value under appeal is \$127,070,204 (9.4% of assessed value). Endure Investments filed an appeal of the \$46,894,285 2012/13 value of its shopping center located in the Ramon-Bogie Redevelopment Project, and requested a reduction in value of their property to \$28,104,444, a 40% reduction. Appeals filed for this property in 2010/11, 2011/12 and 2012/13 were all denied or withdrawn. WalMart Real Estate Business Trust has also filed an appeal of the \$28,592,563 2012/13 value of its store located in the Ramon-Bogie Redevelopment Project, and requested a reduction in value of this parcel to \$22,500,000, a 21% reduction. An appeal filed for this property in 2010/11 resulted in a reduction in its value from \$27.8 million to \$26.4 million. The average value reduction requested for all other appeals pending for 2012/13 is 58%, and the average parcel assessed value under appeal is \$2 million.

The 2011/12 tax roll value under appeal is \$20,169,573 (1.5% of assessed value). The average value reduction requested for all appeals pending for 2011/12 is 52%, and the average parcel assessed value under appeal is \$2.7 million.

The value of parcels under appeal for prior years is \$30,064,112.

Historically, the average value reduction in Merged Project No. 1 when an appeal has been granted is 21%, and of those appeals that have been resolved, the average percentage of appeals that are successful is 25%. If any of these appeals are granted in the future, it will result in a refund to the taxpayer and such refunds will be deducted from Tax Increment Revenues in the year that the refund is paid, and may also affect the assessed value in such future year.

### **Merged Project No. 2**

As of April 2014 there are appeals pending on 70 separate parcels within Merged Project No. 2, of which 22 relate to property values assessed on the 2013/14 tax roll, 7 relate to property values assessed on the 2012/13 tax roll and 3 relate to the 2011/12 tax roll. The remaining 38 pending appeals relate to prior years' tax rolls.

The 2013/14 tax roll value under appeal is \$33,347,148 (5% of assessed value). This includes an appeal by Tree Moss Partners of the \$11,900,000 value of its hotel, the Marquis Villas Resort located in the Tahquitz-Andreas Redevelopment Project. The owner is requesting a reduction in value of this parcel to \$10,100,000, a 15% reduction. This property's value was reduced on appeal in 2010/11 from \$21,173,857 to \$10,100,000. Appeals filed for this property's 2011/12 and 2012/13 value were subsequently withdrawn. O and M HR has appealed the \$9,841,251 value of two of its four properties also located in the Tahquitz-Andreas Redevelopment Project. The owner is requesting a reduction in value of these parcels to \$2,700,000, a 73% reduction. One of these properties value was reduced on appeal in 2011/12 from \$6.1 million to \$2 million, but an appeal filed in 2012/13 was subsequently withdrawn. The average value reduction requested for the other appeals pending for 2013/14 is 62% and the average parcel assessed value under appeal is \$610,000.

The 2012/13 tax roll value under appeal is \$9,950,777 (1.5% of assessed value). The average value reduction requested for the appeals pending for 2012/13 is 45% and the average parcel assessed value under appeal is \$1.4 million.

The 2011/12 tax roll value under appeal is \$7,886,908 (1.2% of assessed value). The average value reduction requested for the appeals pending for 2011/12 is 40% and the average parcel assessed value under appeal is \$3.9 million.

The value of parcels under appeal for prior years is \$9.5 million, and includes an appeal of 35 vacant residential properties in the Canyon Redevelopment Project by Heathman Hill Associates of the \$4.5 million 2010/11 value of its properties.

Historically, the average value reduction in Merged Project No. 2 when an appeal has been granted is 31%, and of those appeals that have been resolved, the average percentage of appeals that are successful is 24%. If all pending appeals are granted at historical averages, the estimated loss in annual Tax Increment Revenues is not estimated to be more than \$225,000 in future years. If any of these appeals are granted in the future, it will result in a refund to the taxpayer and such refunds will be deducted from Tax Increment Revenues in the year that the refund is paid, and may also affect the assessed value in such future year.

## **Tax Sharing Agreements**

Pursuant to prior Section 33401(b) of the Redevelopment Law, a redevelopment agency could enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project to alleviate any financial burden or detriment caused by the redevelopment project. These agreements are commonly referred to as "tax sharing agreements" or "pass through agreements." The following describes the agreements entered into with respect to the Project Areas.

### **Central Business District Redevelopment Project**

#### Desert Water Agency

In September, 1991, the Agency entered into an agreement with the Desert Water Agency ("Water Agency"). The Agency agreed to pass through 25% of the Water Agency's share of the 1% General Levy, which is approximately 1.8%, attributable to increases in assessed valuation of the Redevelopment Project above the valuation shown on the 1990/91 assessment roll. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Water Agency contributes its proportionate share of such amounts.

In addition, the Water Agency receives any Tax Increment Revenues generated by any tax override levied to service any Water Agency debt.

### **Oasis Redevelopment Project**

#### Riverside County

Pursuant to the pass-through agreement with Riverside County, the County receives its share of the 1% General Levy (the "County Share"), which is approximately 26.7%. However, until such time as the Agency has received a cumulative amount of \$500,000 of the County Share, the County received 50% of the County Share. After such time as the Agency has received a cumulative amount of \$500,000 of the County Share, the County receives 100% of the County Share. The cumulative \$500,000 limit was reached in Fiscal Year 2013/14.

#### Desert Water Agency

In September, 1991, the Agency entered into an agreement with the Water Agency. The Agency agreed to pass through 25% of the Water Agency's share of the 1% General Levy, which is approximately 1.8%, attributable to increases in assessed valuation of the Redevelopment Project above the valuation shown on the 1990/91 assessment roll. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Water Agency contributes its proportionate share of such amounts.

In addition, the Water Agency receives any Tax Increment Revenues generated by any tax override levied to service any Water Agency debt.

#### Riverside County Flood Control District

Pursuant to the pass-through agreement with the Riverside County Flood Control District, the Agency received 100% of the 1% General Levy attributable to the District (the "District Share") during the first 6 years of the Redevelopment Project and thereafter, receives 50% of the District Share. The District Share is approximately 4.2%. The amount of the District Share received by the Agency is set aside to construct specific flood control improvements and not pledged to repay the Bonds. The projections include a full 100% deduction of the District Share.

#### Coachella Valley Mosquito Abatement District ("CVMAD")

Pursuant to the pass-through agreement with CVMAD, for the first five years, CVMAD will receive 25% of its share of the 1% General Fund Levy (the "CVMAD Share"), which is approximately 1.3%, for years six through ten, CVMAD will receive 50% of the CVMAD Share, for years eleven through twenty, CVMAD will receive 75% of the CVMAD Share, and thereafter, CVMAD will receive 100% of the CVMAD Share. CVMAD currently receives 100% of the CVMAD Share.

#### **Highland-Gateway Redevelopment Project**

##### Riverside County

Pursuant to the pass-through agreement with Riverside County, the County receives its share of the 1% General Levy (the "County Share"), which is approximately 2.7%. However, until such time as the cumulative amount of Tax Increment Revenues exceed \$5 million, the County received 10% of the County Share. When cumulative Tax Increment Revenues are between \$5 and \$10 million; the County receives 20% of the County Share. When cumulative Tax Increment Revenues are between \$10 and \$15 million, the County receives 40% of the County Share. When cumulative Tax Increment Revenues are between \$15 and \$20 million, the County receives 60% of the County Share. When cumulative Tax Increment Revenues are between \$20 and \$25 million, the County receives 80% of the County Share. After cumulative Tax Increment Revenues exceed \$25 million, or when the Agency has received a total of \$3,932,328 of the County Share, the County receives 100% of the County Share. As of June 30, 2014, the Agency had retained approximately \$1,756,000 of the County Share and cumulative Tax Increment Revenues were approximately \$7,477,000.

##### Desert Water Agency

In September, 1991, the Agency entered into an agreement with the Water Agency. The Agency agreed to pass through 25% of the Water Agency's share of the 1% General Levy, which is approximately 1.8%, attributable to increases in assessed valuation of the Redevelopment Project above the valuation shown on the 1990/91 assessment roll. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Water Agency contributes its proportionate share of such amounts.

In addition, the Water Agency receives any Tax Increment Revenues generated by any tax override levied to service any Water Agency debt.

#### Coachella Valley Mosquito Abatement District ("CVMAD")

Pursuant to the pass-through agreement with the CVMAD, the CVMAD receives approximately 1.3% of the 1% General Levy (the "CVMAD Share"). In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Agency may credit the CVMAD Share for its proportionate share of such amount.

##### Cemetery District

Pursuant to the pass-through agreement with the Cemetery District, the Cemetery District will receive approximately 0.15% of the 1% General Levy (the "Cemetery District Share"). In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Agency may credit the Cemetery District Share for its proportionate share of such amount.

#### Coachella Valley Water District ("CVWD")

Pursuant to the pass-through agreement with CVWD, the CVWD receives its share of the 1% General Levy (the "CVWD Share"). Until such time as the cumulative amount of Tax Increment Revenues exceed \$5 million, the CVWD will receive 20% of the CVWD Share. When cumulative Tax Increment Revenues are

between \$5 and \$10 million, the CVWD will receive 30% of the CVWD Share. When cumulative Tax Increment Revenues are between \$10 and \$15 million, the CVWD will receive 50% of the CVWD Share. When cumulative Tax Increment Revenues are between \$15 and \$20 million, the CVWD will receive 60% of the CVWD Share. When cumulative Tax Increment Revenues are between \$20 and \$25 million, the CVWD will receive 80% of the CVWD Share. After cumulative Tax Increment Revenues exceed \$25 million, CVWD will receive 100% of the CVWD Share. Currently, the CVWD Share is 0%.

### **North Palm Canyon Redevelopment Project**

#### Riverside County

Pursuant to the pass-through agreement with Riverside County, the County receives its share of the 1% General Levy (the "County Share"), which is approximately 26.7%. However, until such time as the cumulative amount of Tax Increment Revenues exceed \$5 million, the County received 10% of the County Share. When cumulative Tax Increment Revenues were between \$5 and \$10 million, the County received 50% of the County Share. After cumulative Tax Increment Revenues exceed \$10 million, or when the Agency had received a total of \$1.9 million of the County Share, the County receives 100% of the County Share. Receipt by the Agency of any portion of the County Share was also eliminated in any year in which the annual Tax Increment Revenue to be received exceeded \$2.25 million. As of June 30, 2014, the cumulative Tax Increment Revenues were approximately \$14,049,000.

#### Riverside County Flood Control District

Pursuant to the pass-through agreement with the Riverside County Flood Control District, the Agency received 100% of the 1% General Levy attributable to the District for the first six years and commencing in the seventh year 50% of the 1% General Levy attributable to the District (the "District Share"). The District Share is approximately 4.2%. These amounts must be used by the Agency to construct specific project improvements and are not pledged to repay the Bonds and the projections include a full 100% deduction of the District Share. The District will also receive any Tax Increment Revenues generated by any tax override levied to service any District debt established after formation of the Redevelopment Project.

#### Desert Water Agency

In September, 1991, the Agency entered into an agreement with the Water Agency. The Agency agreed to pass through 25% of the Water Agency's share of the 1% General Levy, which is approximately 1.8%, attributable to increases in assessed valuation of the Redevelopment Project above the valuation shown on the 1990/91 assessment roll. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Water Agency contributes its proportionate share of such amounts.

In addition, the Water Agency receives any Tax Increment Revenues generated by any tax override levied to service any Water Agency debt.

#### Coachella Valley Mosquito Abatement District ("CVMAD")

Pursuant to the pass-through agreement with the CVMAD, the CVMAD receives approximately 1.3% of the 1% General Levy (the "CVMAD Share"). In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the CVMAD will contribute its proportionate share of such amount.



#### Cemetery District

Pursuant to the pass-through agreement with the Cemetery District, the Cemetery District will receive approximately 0.15% of the 1% General Levy (the "Cemetery District Share"). In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Agency may credit the Cemetery District Share for its proportionate share of such amount.

#### **South Palm Canyon Redevelopment Project**

##### Riverside County

Pursuant to the pass-through agreement with Riverside County, the County receives its share of the 1% General Levy (the "County Share"), which is approximately 26.7%. However, until such time as the cumulative amount of Tax Increment Revenues exceeded \$5 million, the County received 35% of the County Share. When cumulative Tax Increment Revenues were between \$5 and \$10 million, the County received 50% of the County Share. When cumulative Tax Increment Revenues are between \$10 and \$15 million, the County receives 70% of the County Share. When cumulative Tax Increment Revenues are between \$15 and \$20 million, the County will receive 85% of the County Share. After cumulative Tax Increment Revenues exceed \$20 million, or when the County has deferred a total of \$2,169,600 of the County Share, the County will receive 100% of the County Share. Deferral of any portion of the County Share is also eliminated in any year in which the annual Tax Increment Revenue to be received exceeds \$2.25 million. No repayment of amounts deferred is required. As of June 30, 2014, the Agency had retained approximately \$1,616,000 of the County Share and cumulative Tax Increment Revenues were approximately \$10,970,000.

##### Riverside County Flood Control District

Pursuant to the pass-through agreement with the Riverside County Flood Control District, the Agency received 100% of the 1% General Levy attributable to the District for the first 6 years after the Plan was adopted and thereafter 50% of the 1% General Levy attributable to the District (the "District Share"). The District Share is approximately 4.2%. These amounts must be used by the Agency to construct specific project improvements and are not pledged to repay the Bonds. The projections include a full 100% deductible of the District Share.

##### Desert Water Agency

In September, 1991, the Agency entered into an agreement with the Water Agency. The Agency agreed to pass through 25% of the Water Agency's share of the 1% General Levy, which is approximately 1.8%, attributable to increases in assessed valuation of the Redevelopment Project above the valuation shown on the 1990/91 assessment roll. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Water Agency contributes its proportionate share of such amounts.

In addition, the Water Agency receives any Tax Increment Revenues generated by any tax override levied to service any Water Agency debt.

##### Coachella Valley Mosquito Abatement District ("CVMAD")

Pursuant to the pass-through agreement with CVMAD, the CVMAD receives its share of the 1% General Levy (the "CVMAD Share"), which is approximately 1.3%. However, until such time as the cumulative amount of Tax Increment Revenues exceeded \$5 million, the CVMAD received 10% of the CVMAD Share. When cumulative Tax Increment Revenues were between \$5 and \$10 million, the CVMAD received 25% of the CVMAD Share. When cumulative Tax Increment Revenues were between \$10 and \$15 million, the CVMAD receives 50% of the CVMAD Share. When cumulative Tax Increment Revenues are between \$15 and \$20 million, the CVMAD will receive 60% of the CVMAD Share. When cumulative Tax

Increment Revenues are between \$20 and \$25 million, the CVMAD will receive 75% of the CVMAD Share. After cumulative Tax Increment Revenues exceed \$25 million, or when the CVMAD has deferred a total of \$181,804 of the CVMAD Share, the CVMAD will receive 100% of the CVMAD Share. Deferral of any portion of the CVMAD Share is also eliminated in any year in which the annual Tax Increment Revenue to be received exceeds \$2.25 million. No repayment of amounts deferred is required. As of June 30, 2014, the Agency had retained approximately \$114,000 of the CVMAD Share.

#### Cemetery District

Pursuant to the pass-through agreement with Cemetery District, the Cemetery District receives its share of the 1% General Levy (the "Cemetery District Share"), which is approximately 0.15%. However, until such time as the cumulative amount of Tax Increment Revenues exceeded \$5 million, the Cemetery District received 10% of the Cemetery District Share. When cumulative Tax Increment Revenues were between \$5 and \$10 million, the Cemetery District received 25% of the Cemetery District Share. When cumulative Tax Increment Revenues are between \$10 and \$15 million, the Cemetery District receives 50% of the Cemetery District Share. When cumulative Tax Increment Revenues are between \$15 and \$20 million, the Cemetery District will receive 60% of the Cemetery District Share. When cumulative Tax Increment Revenues are between \$20 and \$25 million, the Cemetery District will receive 75% of the Cemetery District Share. After cumulative Tax Increment Revenues exceed \$25 million, or when the Cemetery District has deferred a total of \$21,000 of the Cemetery District Share, the Cemetery District will receive 100% of the Cemetery District Share. Deferral of any portion of the Cemetery District Share is also eliminated in any year in which the annual Tax Increment Revenue to be received exceeds \$2.25 million. No repayment of amounts deferred is required. As of June 30, 2014, the Agency had retained approximately \$13,000 of the Cemetery District Share.

#### **Ramon-Bogie Redevelopment Project**

##### Riverside County

Pursuant to the pass-through agreement with Riverside County, the County receives its share of the 1% General Levy (the "County Share"), which is approximately 27%. However, until such time as the cumulative amount of Tax Increment Revenues exceeded \$5 million, the County received 35% of the County Share. When cumulative Tax Increment Revenues were between \$5 and \$10 million, the County received 50% of the County Share. When cumulative Tax Increment Revenues were between \$10 and \$15 million, the County received 70% of the County Share. When cumulative Tax Increment Revenues are between \$15 and \$20 million, the County receives 85% of the County Share. After cumulative Tax Increment Revenues exceed \$20 million, or when the County has deferred a total of \$2,169,600 of the County Share, the County will receive 100% of the County Share. Deferral of any portion of the County Share is also eliminated in any year in which the annual Tax Increment Revenue to be received exceeds \$2.25 million. No repayment of amounts deferred is required. As of June 30, 2014, the Agency had retained approximately \$1,877,000 of the County Share and cumulative Tax Increment Revenues were approximately \$15,454,000.

##### Riverside County Flood Control District

Pursuant to the pass-through agreement with the Riverside County Flood Control District, the District receives its share of the 1% General Levy (the "District Share"), which is approximately 3.5%. The District will also receive any Tax Increment Revenues generated by any tax override levied to service any District debt established after formation of the Redevelopment Project.

##### Desert Water Agency

In September, 1991, the Agency entered into an agreement with the Water Agency. The Agency agreed to pass through 25% of the Water Agency's share of the 1% General Levy, which is approximately 1.8%,

attributable to increases in assessed valuation of the Redevelopment Project above the valuation shown on the 1990/91 assessment roll. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Water Agency contributes it proportionate share of such amounts.

In addition, the Water Agency receives any Tax Increment Revenues generated by any tax override levied to service any Water Agency debt.

#### Coachella Valley Water District ("CVWD")

Pursuant to the pass-through agreement with CVWD, the CVWD receives its share of the 1% General Levy (the "CVWD Share"). However, until such time as the cumulative amount of Tax Increment Revenues exceeded \$5 million, the CVWD received 10% of the CVWD Share. When cumulative Tax Increment Revenues were between \$5 and \$10 million, the CVWD received 25% of the CVWD Share. When cumulative Tax Increment Revenues were between \$10 and \$15 million, the CVWD received 50% of the CVWD Share. When cumulative Tax Increment Revenues are between \$15 and \$20 million, the CVWD receives 60% of the CVWD Share. When cumulative Tax Increment Revenues are between \$20 and \$25 million, the CVWD will receive 75% of the CVWD Share. After cumulative Tax Increment Revenues exceed \$25 million, or when the CVWD has deferred a total of \$36,400 of the CVWD Share, the CVWD will receive 100% of the CVWD Share. Deferral of any portion of the CVWD Share is also eliminated in any year in which the annual Tax Increment Revenue to be received exceeds \$2.25 million. No repayment of amounts deferred is required. Currently the CVWD Share is 0%.

#### Coachella Valley Mosquito Abatement District ("CVMAD")

Pursuant to the pass-through agreement with the CVMAD, the CVMAD receives its share of the 1% General Levy (the "CVMAD Share"), which is approximately 1.3%. However, until such time as the cumulative amount of Tax Increment Revenues exceeded \$5 million, the CVMAD received 10% of the CVMAD Share. When cumulative Tax Increment Revenues were between \$5 and \$10 million, the CVMAD received 25% of the CVMAD Share. When cumulative Tax Increment Revenues were between \$10 and \$15 million, the CVMAD received 50% of the CVMAD Share. When cumulative Tax Increment Revenues are between \$15 and \$20 million, the CVMAD receives 60% of the CVMAD Share. When cumulative Tax Increment Revenues are between \$20 and \$25 million, the CVMAD will receive 75% of the CVMAD Share. After cumulative Tax Increment Revenues exceed \$25 million, or when the CVMAD has deferred a total of \$181,804 of the CVMAD Share, the CVMAD will receive 100% of the CVMAD Share. Deferral of any portion of the CVMAD Share is also eliminated in any year in which the annual Tax Increment Revenue to be received exceeds \$2.25 million. No repayment of amounts deferred is required. As of June 30, 2014, the Agency had retained approximately \$142,000 of the CVMAD Share.

#### Cemetery District

Pursuant to the pass-through agreement with Cemetery District, the Cemetery District receives its share of the 1% General Levy (the "Cemetery District Share"), which is approximately 0.15%. However, until such time as the cumulative amount of Tax Increment Revenues exceeded \$5 million, the Cemetery District received 10% of the Cemetery District Share. When cumulative Tax Increment Revenues were between \$5 and \$10 million, the Cemetery District received 25% of the Cemetery District Share. When cumulative Tax Increment Revenues were between \$10 and \$15 million, the Cemetery District received 50% of the Cemetery District Share. When cumulative Tax Increment Revenues are between \$15 and \$20 million, the Cemetery District receives 60% of the Cemetery District Share. When cumulative Tax Increment Revenues are between \$20 and \$25 million, the Cemetery District will receive 75% and defer the remaining 25% of the Cemetery District Share. After cumulative Tax Increment Revenues exceed \$25 million, or when the Cemetery District has deferred a total of \$21,000 of the Cemetery District Share, the Cemetery District will receive 100% of the Cemetery District Share. Deferral of any portion of the Cemetery District Share is also eliminated in any year in which the annual Tax Increment Revenue to be received exceeds \$2.25 million.

No repayment of amounts deferred is required. As of June 30, 2014, the Agency had retained approximately \$11,000 of the Cemetery District Share.

### **Redevelopment Project No. 9**

#### Riverside County

Pursuant to the pass-through agreement with Riverside County, the County receives its share of the 1% General Levy (the "County Share"), which is approximately 26.8%. However, until such time as the annual amount of Tax Increment Revenues exceeded \$1 million, the County received 10% of the County Share and deferred the remaining 90%. When annual Tax Increment Revenues were between \$1 and \$2 million, the County received 25% and deferred the remaining 75% of the County Share. When annual Tax Increment Revenues were between \$2 and \$3 million, the County received 50% and deferred the remaining 50% of the County Share. When annual Tax Increment Revenues exceeded \$3 million, or when the County had deferred a total of \$4.2 million of the County Share, the County receives 100% of the County Share. Repayment of the deferred amounts began in the third year after annual Tax Increment Revenues exceeded \$3 million and is made in seven equal annual installments. Annual Tax Increment Revenues exceeded \$3 million for the first time in 2006/07 and repayment of the deferred amount commenced in 2009/10 and will end in 2015/16. The annual deferral payment is \$530,855.

#### Riverside County Flood Control District

Pursuant to the pass-through agreement with the Riverside County Flood Control District, the Agency received 100% of the 1% General Levy attributable to the District (the "District Share") during the first 6 years of the Redevelopment Project and 50% of the District Share thereafter, until the Agency has received an amount equal to all costs of the project improvements defined in the Agreement. The District Share is approximately 4.2%. These amounts must be used by the Agency to construct specific project improvements. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Agency may deduct from the District Share its proportionate share of such amount. The projections include a full 100% deduction of the District Share.

#### Desert Water Agency

In September, 1991, the Agency entered into an agreement with the Water Agency. The Agency agreed to pass through 25% of the Water Agency's share of the 1% General Levy, which is approximately 1.8%, attributable to increases in assessed valuation of the Redevelopment Project above the valuation shown on the 1990/91 assessment roll. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Water Agency contributes its proportionate share of such amounts.

In addition, the Water Agency receives any Tax Increment Revenues generated by any tax override levied to service any Water Agency debt.

#### Riverside County Superintendent of Schools ("RCo. School District")

Pursuant to the pass-through agreement with the RCo. School District, the RCo. School District receives its share of the 1% General Levy (the "RCo. School District Share"), which is approximately 3.9%. Of the RCo. School District Share, the Agency retains 50%. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the RCo. School District will contribute its proportionate share of such amount. The RCo. School District will also receive any Tax Increment Revenues generated by any tax override levied to service any RCo. School District debt established either prior to or after formation of the Redevelopment Project.

Desert Community College District ("College District")

Pursuant to the pass-through agreement with the College District, the College District receives its share of the 1% General Levy (the "College District Share"). Of the College District Share, the Agency retains 50%. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the College District will contribute its proportionate share of such amount. The College District will also receive any Tax Increment Revenues generated by any tax override levied to service any College District debt established either prior to or after formation of the Redevelopment Project.

Coachella Valley Mosquito Abatement District ("CVMAD")

Pursuant to the pass-through agreement with the CVMAD, the CVMAD receives its share of the 1% General Levy (the "CVMAD Share"), which is approximately 1.3%. In addition, the CVMAD will receive the CVMAD Share of the Tax Increment Revenues generated by a 2% inflationary growth in the base year assessed value of the Redevelopment Project.

Cemetery District

Pursuant to the pass-through agreement with the Cemetery District, the Cemetery District receives its share of the 1% General Levy (the "Cemetery District Share"), which is approximately 0.15%. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Agency may deduct from the Cemetery District Share its proportionate share of such amount.

Palm Springs Unified School District ("PSUSD")

Pursuant to the pass-through agreement with the PSUSD, the PSUSD receives its share of the 1% General Levy (the "PSUSD Share"), which is approximately 25.1%. Of the PSUSD Share, the Agency will retain 50% and 50% shall be paid by the Agency into a trust fund to be administered by and for the exclusive benefit of the District. In addition, the PSUSD will receive the PSUSD Share of the Tax Increment Revenues generated by a 2% inflationary growth in the base year assessed value of the Redevelopment Project. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the PSUSD will contribute its proportionate share of such amount. The PSUSD will also receive any Tax Increment Revenues generated by any tax override levied to service any PSUSD debt established either prior to or after formation of the Redevelopment Project.

**Baristo-Farrell Redevelopment Project**

Riverside County

Pursuant to the pass-through agreement with Riverside County, the County receives its share of the 1% General Levy (the "County Share"), which is approximately 26.7%. In any year in which Tax Increment revenues are \$2 million or less the County will receive 50% of the County Share. When annual Tax Increment Revenues exceed \$2 million, the County will also receive 100% of the County Share of the amount of Tax Increment Revenues in excess of \$2 million. At such time as the County Share paid to the Agency equals \$7.5 million, the County will thereafter receive 100% of the County Share. Of the County Share retained by the Agency, the Agency is entitled to retain 30% in a "County Capital Improvement Fund" to be used for specified projects. In addition, the County will also receive any Tax Increment Revenues generated by any tax override levied to service any County debt established after formation of the Redevelopment Project. As of June 30, 2014, the Agency had retained approximately \$4,088,000 of the County Share.

Riverside County Flood Control District

Pursuant to the pass-through agreement with the Riverside County Flood Control District, the Agency currently receives 50% of the 1% General Levy attributable to the District (the "District Share"). The

District Share is approximately 4.2%. The amount of the District Share received by the Agency is set aside to construct specific flood control improvements and not pledged to repay the Bonds. The projections include a full 100% deduction of the District Share.

#### Desert Water Agency

In September, 1991, the Agency entered into an agreement with the Water Agency. The Agency agreed to pass through 25% of the Water Agency's share of the 1% General Levy, which is approximately 1.8%, attributable to increases in assessed valuation of the Redevelopment Project above the valuation shown on the 1990/91 assessment roll. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Water Agency contributes its proportionate share of such amounts.

In addition, the Water Agency receives any Tax Increment Revenues generated by any tax override levied to service any Water Agency debt.

#### Riverside County Superintendent of Schools ("RCo. School District")

Pursuant to the pass-through agreement with the RCo. School District, the RCo. School District receives its share of the 1% General Levy (the "RCo. School District Share"), which is approximately 3.9%. Of the RCo. School District Share, the Agency retains 50%. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the RCo. School District will contribute its proportionate share of such amount. The RCo. School District will also receive any Tax Increment Revenues generated by any tax override levied to service any RCo. School District debt established either prior to or after formation of the Redevelopment Project.

#### Coachella Valley Community College District ("College District")

Pursuant to the pass-through agreement with the College District, the College District receives its share of the 1% General Levy (the "College District Share"), which is approximately 7.1%. Of the College District Share, the Agency retains 50%. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the College District will contribute its proportionate share of such amount. The College District will also receive any Tax Increment Revenues generated by any tax override levied to service any College District debt established either prior to or after formation of the Redevelopment Project.

#### Coachella Valley Mosquito Abatement District ("CVMAD")

Pursuant to the pass-through agreement with the CVMAD, the CVMAD receives its share of the 1% General Levy (the "CVMAD Share"), which is approximately 1.3%. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the CVMAD will contribute its proportionate share of such amount. In addition, the CVMAD will receive the CVMAD Share of the Tax Increment Revenues generated by a 2% inflationary growth in the base year assessed value of the Redevelopment Project.

#### Palm Springs Unified School District ("PSUSD")

Pursuant to the pass-through agreement with the PSUSD, the PSUSD receives its share of the 1% General Levy (the "PSUSD Share"), which is approximately 25.0%. Of the PSUSD Share, the Agency retains 50%. In addition, the PSUSD will receive the PSUSD Share of the Tax Increment Revenues generated by a 2% inflationary growth in the base year assessed value of the Redevelopment Project. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the PSUSD will contribute its proportionate share of such amount. The PSUSD will also receive any Tax Increment Revenues generated by any tax override levied to service any PSUSD debt established either prior to or after formation of the Redevelopment Project.

## **Tahquitz-Andreas Redevelopment Project**

### Riverside County

Pursuant to the pass-through agreement with Riverside County, the County receives its share of the 1% General Levy (the "County Share"), which is approximately 26.7%. However, until such time as the cumulative amount of Tax Increment Revenues exceeded \$5 million, the County received 10% of the County Share. When cumulative Tax Increment Revenues were between \$5 and \$10 million; the County received 25% of the County Share. When cumulative Tax Increment Revenues were between \$10 and \$15 million, the County received 50% of the County Share. When cumulative Tax Increment Revenues were between \$15 and \$20 million, the County received 60% of the County Share. When cumulative Tax Increment Revenues were between \$20 and \$25 million, the County received 75% of the County Share. After cumulative Tax Increment Revenues exceeded \$25 million, or when the County had deferred a total of \$3,796,730 of the County Share, the County receives 100% of the County Share (which occurred in Fiscal Year 2011/12). As of June 30, 2014, cumulative Tax Increment Revenues were approximately \$27,249,000.

### Desert Water Agency

In September, 1991, the Agency entered into an agreement with the Water Agency. The Agency agreed to pass through 25% of the Water Agency's share of the 1% General Levy, which is approximately 1.8%, attributable to increases in assessed valuation of the Redevelopment Project above the valuation shown on the 1990/91 assessment roll. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Water Agency contributes its proportionate share of such amounts.

In addition, the Water Agency receives any Tax Increment Revenues generated by any tax override levied to service any Water Agency debt.

### Riverside County Flood Control District

Pursuant to the pass-through agreement with the Riverside County Flood Control District, the Agency currently reimburses the Flood Control District for 100% of the District Share of the 1% General Levy. The District Share is approximately 4.2%.

### Coachella Valley Mosquito Abatement District ("CVMAD")

Pursuant to the pass-through agreement with CVMAD, the CVMAD receives its share of the 1% General Levy (the "CVMAD Share"), which is approximately 1.3%. Until such time as the cumulative amount of Tax Increment Revenues exceeded \$5 million, the CVMAD received 10% of the CVMAD Share. When cumulative Tax Increment Revenues were between \$5 and \$10 million, the CVMAD received 25% and the Agency receives the remaining 75% of the CVMAD Share. When cumulative Tax Increment Revenues were between \$10 and \$15 million, the CVMAD received 50% and the Agency received the remaining 50% of the CVMAD Share. When cumulative Tax Increment Revenues were between \$15 and \$20 million, the CVMAD received 60% and the Agency received the remaining 40% of the CVMAD Share. When cumulative Tax Increment Revenues were between \$20 and \$25 million, the CVMAD received 75% and the Agency received the remaining 25% of the CVMAD Share. After cumulative Tax Increment Revenues exceeded \$25 million, or when the Agency has received a total of \$181,804 of the CVMAD Share, the CVMAD receives 100% of the CVMAD Share (which occurred in Fiscal Year 2011/12).

## **Canyon Redevelopment Project**

### Riverside County

Pursuant to the pass-through agreement with the Riverside County, the Agency receives 25% of the 1% General Levy attributable to the County (the "County Share") until such time as the Agency has received a

cumulative allocation of the County Share of \$15,000,000. Thereafter, 100% of the County Share will be paid to the County. The County Share is approximately 26.7%. As of June 30, 2014, the Agency has retained approximately \$1,268,000 of the County Share.

#### Riverside County Flood Control District

Pursuant to the pass-through agreement with the Riverside County Flood Control District, the Agency received 75% of the 1% General Levy attributable to the District (the "District Share") during the first 10 years of the Redevelopment Project, 50% of the District Share during the second 10 years of the Redevelopment Project and receives 20% of the District Share thereafter. The District Share is approximately 4.2%.

#### Palm Springs Unified School District ("PSUSD")

Pursuant to the pass-through agreement with the PSUSD, the Agency receives 50% of the 1% General Levy attributable to PSUSD (the "PSUSD Share"). The PSUSD Share is approximately 25%. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the PSUSD will contribute its proportionate share of such amount. The PSUSD will also receive any Tax Increment Revenues generated by any tax override levied to service any PSUSD debt established either prior to or after formation of the Redevelopment Project. Further, the PSUSD Share retained by the Agency shall be deposited in a separate fund and used solely for improvements authorized by the District.

#### Desert Community College District ("College District")

Pursuant to the pass-through agreement with the College District, the Agency receives 50% of the 1% General Levy attributable to College District (the "College District Share"). The College District share is approximately 7.1%. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the College District will contribute its proportionate share of such amount. The College District will also receive any Tax Increment Revenues generated by any tax override levied to service any College District debt established either prior to or after formation of the Redevelopment Project. Further, the College District Share retained by the Agency shall be deposited in a separate fund and used solely for improvements authorized by the District.

#### Coachella Valley Mosquito Abatement District ("CVMAD")

Pursuant to the pass-through agreement with the Coachella Valley Mosquito Abatement District, the Agency reimburses CVMAD for 100% of the CVMAD Share of the 1% General Levy. The CVMAD Share is approximately 1.3%. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Agency may credit the CVMAD Share for its proportionate share of such amount.

#### Desert Water Agency

Pursuant to the pass-through agreement with the Water Agency, the Agency agreed to reimburse the Water Agency for 25% of the Water Agency's share of the Tax Increment Revenues generated by the 1% General Levy. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Water Agency will contribute its proportionate share of such amount. The Water Agency share is approximately 1.8%.

In addition, the Water Agency will receive any Tax Increment Revenues generated by any tax override levied to service any Water Agency debt.

#### Cemetery District

Pursuant to the pass-through agreement with the Cemetery District, the Agency reimburses the Cemetery District for 100% of the Cemetery District Share of the Tax Increment Revenues generated by the 1%



General Levy. The Cemetery District Share is approximately 0.15%. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the Agency may credit the Cemetery District Share for its proportionate share of such amount.

Riverside County Superintendent of Schools (“RCo. School District”)

Pursuant to the pass-through agreement with the RCo. School District, the RCo. School District receives its share of the 1% General Levy (the “RCo. School District Share”), which is approximately 3.9%. Of the RCo. School District Share, the Agency retains 40%. In any year in which the Agency sets aside funds in the Low and Moderate Income Housing Fund, the RCo. School District will contribute its proportionate share of such amount. The RCo. School District will also receive any Tax Increment Revenues generated by any tax override levied to service any RCo. School District debt established either prior to or after formation of the Redevelopment Project.

**Tax Sharing Statutes**

Certain provisions were added to the Redevelopment Law by the adoption of AB 1290 in 1994. A discussion of these provisions as they relate to the Project Areas follows. If new territory was added to a Redevelopment Project, under Section 33607.5 of the Redevelopment Law, any affected taxing entity would share in the Tax Increment Revenues generated by such added area pursuant to a statutory formula (“Statutory Tax Sharing”).

In addition, pursuant to Section 33333.6(e)(2) of the Redevelopment Law, if the Former Agency deleted the time limit to incur indebtedness in a Redevelopment Project or increased the total amount of Tax Increment Revenues to be allocated to a Redevelopment Project or increases the duration of the redevelopment plan for a Redevelopment Project and the period for receipt of Tax Increment Revenues, Statutory Tax Sharing will also be required under Section 33607.7 of the Redevelopment Law with all affected taxing agencies not already a party to a tax sharing agreement, once the original limitations have been reached. The original limitation is shown in the following table, and payments to taxing entities pursuant to Section 33607.7, commenced in the fiscal year shown below.

<u>Redevelopment Project</u>	<u>Last Date to Incur Debt Prior to Elimination</u>	<u>Payments Under Tax Sharing Statutes Commenced</u>
Central Business District	1/1/2004	2004/05
North Palm Canyon	1/1/2004	2004/05
South Palm Canyon	1/1/2004	2004/05
Oasis	7/10/2004	2005/06
Highland-Gateway	11/20/2004	2005/06
Ramon-Bogie	1/1/2004	2004/05
Project No. 9	12/29/2008	2009/10
Baristo-Farrell	1/1/2004	2004/05
Tahquitz-Andreas Canyon	1/1/2004	2004/05
	7/19/2011	2012/13

Source: Successor Agency.

In general, the amounts to be paid pursuant to Statutory Tax Sharing are as follows:

- (a) commencing in the first fiscal year after the limitation has been reached, an amount equal to 25% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted;
- (b) in addition to amounts payable as described in (a) above, commencing in the 11<sup>th</sup> fiscal year after the limitation has been reached, an amount equal to 21% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding 10<sup>th</sup> fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted; and
- (c) in addition to amounts payable as described in (a) and (b) above, commencing in the 31<sup>st</sup> fiscal year after the limitation has been reached, an amount equal to 14% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding 30<sup>th</sup> fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.
- (d) The City may elect to receive a portion of the tax increment generated in (a) above, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.
- (e) The Successor Agency may subordinate the amount required to be paid to an affected taxing entity to any indebtedness after receiving the consent of the taxing entity.

With respect to a taxing entity that is a party to a tax sharing agreement, tax sharing payments would continue pursuant to the Tax Sharing Agreement after the original limitations in the Redevelopment Plan were passed.

## **Projected Tax Revenues**

Deposit of projected Tax Revenues in the Redevelopment Property Tax Trust Fund in the amounts and at the times projected by the Successor Agency depends on the realization of certain assumptions relating to the Tax Increment Revenues. The projections of Tax Increment Revenues and the corresponding Tax Revenues from the Redevelopment Projects shown on the following tables were based on the assumptions shown below. The Successor Agency believes the assumptions upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur.

- (a) The 2013/14 secured roll was increased by 0.454% for inflation in 2014/15, and increased 2% annually for inflation in future years.
- (b) The values of unsecured personal property and state assessed utility property and the amount of unitary revenues have been maintained throughout the projections at their 2013/14 values.
- (c) For the purposes of the projections, it was assumed that no additional assessed value would be added to the tax rolls as a result of new construction.
- (d) The 2014/15 secured roll for the Central Business District Redevelopment Project was reduced by \$6,903,000 for improvements demolished during 2013/14.
- (e) For purposes of the projections, it was not assumed that the College of the Desert would purchase the site in the Baristo-Farrell Redevelopment Project.

- (f) No reduction has been made for the possessory interest value on tribal land.
- (g) No potential future Proposition 8 adjustments or potential reductions in value as a result of pending assessment appeals are reflected in the projections.
- (h) A tax rate of \$1.00 per \$100 of assessed value applied to the taxable property in the Project Areas was used to determine Tax Increment Revenues.
- (i) Projected Tax Revenues do not reflect supplemental property taxes.
- (j) Projected Tax Revenues include a deduction for administrative costs charged by Riverside County. These fees, while deducted from the Redevelopment Property Tax Trust Fund (RPTTF) deposit, have been prorated between the Redevelopment Projects for purposes of the projections.
- (k) Projected Tax Revenues include a deduction for payments due to taxing agencies under Tax Sharing Agreements or applicable Tax Sharing Statutes. The increases, if any, in tax sharing percentages under the Tax Sharing Agreements occur when a cumulative milestone is reached, projected based on the assumptions (a) through (i) above.

**TABLE NO. B-7  
SUCCESSOR AGENCY PROJECTED TAX REVENUES**

<b>Fiscal Year</b>	<b>Merged Project No. 1</b>	<b>Merged Project No. 2</b>	<b>Tax Revenues</b>		<b>Tax Revenues</b>
	<b>Tax Revenues</b>	<b>Tax Revenues</b>	<b>Before Senior Obligations</b>	<b>Senior Obligations <sup>(1)</sup></b>	
2014	\$5,984,800	\$3,058,400	\$ 9,043,200	\$(1,260,044)	\$ 7,783,156
2015	5,972,700	3,071,900	9,044,600	(1,261,939)	7,782,661
2016	6,105,300	3,129,200	9,234,500	(1,258,274)	7,976,226
2017	6,696,100	3,187,900	9,884,000	(1,669,330)	8,214,670
2018	6,796,000	3,247,600	10,043,600	(1,652,143)	8,391,457
2019	6,934,900	3,310,000	10,244,900	(1,642,266)	8,602,634
2020	7,036,000	5,943,600	12,979,600	(1,631,234)	11,348,366
2021	7,172,700	6,058,600	13,231,300	(1,483,503)	11,747,797
2022	7,310,100	6,176,000	13,486,100	(1,455,080)	12,031,020
2023	7,449,900	6,293,500	13,743,400	(1,401,351)	12,342,049
2024	7,593,300	6,413,600	14,006,900	(1,853,129)	12,153,771
2025	7,659,600	6,535,800	14,195,400	(1,362,938)	12,832,462
2026	7,805,400	6,661,300	14,466,700	(2,107,096)	12,359,604
2027	6,181,300	6,789,200	12,970,500	(2,111,415)	10,859,085
2028	6,307,200	6,651,300	12,958,500	(2,111,644)	10,846,856
2029	6,436,300	6,783,600	13,219,900	(2,117,785)	11,102,115
2030	6,562,400	6,919,400	13,481,800	(2,109,208)	11,372,592
2031	6,523,200	7,057,200	13,580,400	(2,126,543)	11,453,857
2032	6,581,600	7,197,500	13,779,100	(2,138,160)	11,640,940
2033	6,638,900	7,340,800	13,979,700	(2,133,990)	11,845,710
2034	6,697,500	7,487,400	14,184,900	(2,124,604)	12,060,296

Source: Financial Advisor.

<sup>(1)</sup> 2007 Bonds, see Table Nos. 8 and 16.

**TABLE NO. B-8  
PROJECTED TAX REVENUES  
MERGED PROJECT NO. 1**

	<b>Gross Tax <u>Increment</u></b>	<b>County Admin <u>Charge</u></b>	<b>Contractual Tax <u>Sharing</u></b>	<b>Statutory Tax <u>Sharing</u></b>	<b>Tax <u>Revenue</u></b>	<b>Senior <u>Obligations</u></b>	<b>Available Tax <u>Revenue</u></b>
2014	\$10,263,000	\$(135,500)	\$(3,636,600)	\$ (506,100)	\$5,984,800	\$ (736,518)	\$5,248,282
2015	10,252,000	(135,300)	(3,654,200)	(489,800)	5,972,700	(736,518)	5,236,182
2016	10,510,000	(138,600)	(3,735,500)	(530,600)	6,105,300	(736,518)	5,368,782
2017	10,771,000	(142,200)	(3,361,000)	(571,700)	6,696,100	(1,146,518)	5,549,582
2018	11,038,000	(145,800)	(3,482,300)	(613,900)	6,796,000	(1,123,834)	5,672,167
2019	11,312,000	(149,300)	(3,570,700)	(657,100)	6,934,900	(1,115,817)	5,819,083
2020	11,589,000	(153,000)	(3,701,100)	(698,900)	7,036,000	(1,102,287)	5,933,713
2021	11,875,000	(156,800)	(3,794,600)	(750,900)	7,172,700	(958,019)	6,214,681
2022	12,164,000	(160,600)	(3,888,700)	(804,600)	7,310,100	(928,700)	6,381,400
2023	12,457,000	(164,500)	(3,984,700)	(857,900)	7,449,900	(875,037)	6,574,863
2024	12,758,000	(168,400)	(4,083,000)	(913,300)	7,593,300	(1,327,842)	6,265,458
2025	13,068,000	(172,500)	(4,266,900)	(969,000)	7,659,600	(839,640)	6,819,960
2026	13,380,000	(176,600)	(4,371,600)	(1,026,400)	7,805,400	(1,581,749)	6,223,651
2027	11,671,000	(154,000)	(4,474,600)	(861,100)	6,181,300	(1,585,301)	4,595,999
2028	11,953,000	(157,900)	(4,583,400)	(904,500)	6,307,200	(1,586,046)	4,721,154
2029	12,241,000	(161,600)	(4,694,400)	(948,700)	6,436,300	(1,588,984)	4,847,316
2030	12,533,000	(165,400)	(4,810,900)	(994,300)	6,562,400	(1,583,808)	4,978,593
2031	12,687,000	(167,600)	(4,955,600)	(1,040,600)	6,523,200	(1,600,824)	4,922,376
2032	12,844,000	(169,600)	(5,005,800)	(1,087,000)	6,581,600	(1,608,727)	4,972,873
2033	13,003,000	(171,600)	(5,057,500)	(1,135,000)	6,638,900	(1,607,765)	5,031,135
2034	13,166,000	(173,800)	(5,110,000)	(1,184,700)	6,697,500	(1,603,190)	5,094,310

Source: Financial Advisor.

**TABLE NO. B-9  
PROJECTED TAX REVENUES  
CENTRAL BUSINESS DISTRICT REDEVELOPMENT PROJECT**

	<b>Gross Tax <u>Increment</u></b>	<b>County Admin <u>Charge</u></b>	<b>Contractual Tax Sharing <u>DWA</u></b>	<b>Statutory Tax <u>Sharing</u></b>	<b>Tax <u>Revenue</u></b>
2014	\$1,617,000	\$(21,300)	\$(1,400)	\$ (75,300)	\$1,519,000
2015	1,556,000	(20,500)	(1,200)	(53,300)	1,481,000
2016	1,592,000	(21,000)	(1,300)	(66,100)	1,503,600
2017	1,627,000	(21,500)	(1,400)	(79,000)	1,525,100
2018	1,664,000	(22,000)	(1,600)	(92,200)	1,548,200
2019	1,701,000	(22,500)	(1,700)	(105,700)	1,571,100
2020	1,739,000	(23,000)	(1,800)	(119,400)	1,594,800
2021	1,778,000	(23,500)	(2,000)	(133,500)	1,619,000
2022	1,818,000	(24,000)	(2,100)	(147,900)	1,644,000
2023	1,858,000	(24,500)	(2,200)	(162,400)	1,668,900
2024	1,899,000	(25,100)	(2,400)	(177,200)	1,694,300
2025	1,941,000	(25,600)	(2,500)	(192,400)	1,720,500
2026	1,984,000	(26,200)	(2,700)	(207,900)	1,747,200

Source: Financial Advisor.

**TABLE NO. B-10  
PROJECTED TAX REVENUES  
NORTH PALM CANYON REDEVELOPMENT PROJECT**

	<b>Gross Tax Increment</b>	<b>County Admin Charge</b>	<b>Contractual Tax Sharing</b>				<b>Statutory Tax Sharing</b>	<b>Tax Revenue</b>	
			<b>County</b>	<b>Flood</b>					
			<b>Control</b>	<b>CVMAD</b>	<b>Cemetery</b>	<b>DWA</b>			
2014	\$1,197,000	\$(15,800)	\$(319,800)	\$(50,600)	\$(12,400)	\$(1,400)	\$(3,400)	\$(105,700)	\$ 687,900
2015	1,204,000	(15,900)	(321,700)	(50,900)	(12,500)	(1,400)	(3,500)	(107,500)	690,600
2016	1,238,000	(16,300)	(330,700)	(52,400)	(12,900)	(1,500)	(3,600)	(115,600)	705,000
2017	1,272,000	(16,800)	(339,800)	(53,800)	(13,200)	(1,500)	(3,700)	(123,900)	719,300
2018	1,307,000	(17,300)	(349,200)	(55,300)	(13,600)	(1,600)	(3,800)	(132,400)	733,800
2019	1,343,000	(17,700)	(358,800)	(56,800)	(14,000)	(1,600)	(4,000)	(141,100)	749,000
2020	1,379,000	(18,200)	(368,400)	(58,300)	(14,300)	(1,600)	(4,100)	(149,900)	764,200
2021	1,417,000	(18,700)	(378,600)	(60,000)	(14,700)	(1,700)	(4,200)	(158,900)	780,200
2022	1,454,000	(19,200)	(388,400)	(61,500)	(15,100)	(1,700)	(4,400)	(168,000)	795,700
2023	1,493,000	(19,700)	(398,900)	(63,200)	(15,500)	(1,800)	(4,500)	(177,400)	812,000
2024	1,532,000	(20,200)	(409,300)	(64,800)	(15,900)	(1,800)	(4,600)	(186,900)	828,500
2025	1,573,000	(20,800)	(420,200)	(66,600)	(16,300)	(1,900)	(4,800)	(196,700)	845,700
2026	1,614,000	(21,300)	(431,200)	(68,300)	(16,800)	(1,900)	(4,900)	(206,700)	862,900
2027	1,655,000	(21,800)	(442,100)	(70,000)	(17,200)	(2,000)	(5,100)	(216,700)	880,100
2028	1,698,000	(22,400)	(453,600)	(71,800)	(17,600)	(2,000)	(5,200)	(227,100)	898,300
2029	1,742,000	(23,000)	(465,400)	(73,700)	(18,100)	(2,100)	(5,400)	(237,700)	916,600
2030	1,786,000	(23,600)	(477,100)	(75,600)	(18,600)	(2,100)	(5,500)	(248,400)	935,100
2031	1,831,000	(24,200)	(489,200)	(77,500)	(19,000)	(2,200)	(5,700)	(259,300)	953,900
2032	1,877,000	(24,800)	(501,400)	(79,400)	(19,500)	(2,200)	(5,900)	(270,500)	973,300
2033	1,925,000	(25,400)	(514,300)	(81,400)	(20,000)	(2,300)	(6,000)	(282,000)	993,600
2034	1,973,000	(26,000)	(527,100)	(83,500)	(20,500)	(2,300)	(6,200)	(293,600)	1,013,800

Source: Financial Advisor.

**TABLE NO. B-11  
PROJECTED TAX REVENUES  
SOUTH PALM CANYON REDEVELOPMENT PROJECT**

	<b>Gross Tax Increment</b>	<b>County Admin Charge</b>	<b>Contractual Tax Sharing</b>				<b>Statutory Tax Revenue</b>		
			<b>County</b>	<b>Flood Control</b>	<b>CVMAD</b>	<b>Cemetery</b>	<b>DWA</b>	<b>Sharing</b>	<b>Tax</b>
2014	\$704,000	\$ (9,300)	\$(131,700)	\$(29,800)	\$ (4,600)	\$ (500)	\$(1,700)	\$ (50,700)	\$475,700
2015	710,000	(9,400)	(132,800)	(30,000)	(4,600)	(500)	(1,700)	(52,100)	478,900
2016	734,000	(9,700)	(137,300)	(31,100)	(4,800)	(500)	(1,800)	(57,900)	490,900
2017	757,000	(10,000)	(141,600)	(32,000)	(4,900)	(600)	(1,900)	(63,500)	502,500
2018	781,000	(10,300)	(146,100)	(33,000)	(5,100)	(600)	(1,900)	(69,300)	514,700
2019	806,000	(10,600)	(150,700)	(34,100)	(5,200)	(600)	(2,000)	(75,300)	527,500
2020	831,000	(11,000)	(188,700)	(35,200)	(6,500)	(700)	(2,100)	(81,400)	505,400
2021	857,000	(11,300)	(194,600)	(36,300)	(6,700)	(800)	(2,200)	(87,600)	517,500
2022	883,000	(11,700)	(200,500)	(37,400)	(6,900)	(800)	(2,300)	(93,900)	529,500
2023	909,000	(12,000)	(206,400)	(38,500)	(7,100)	(800)	(2,400)	(100,300)	541,500
2024	936,000	(12,400)	(212,500)	(39,600)	(7,300)	(800)	(2,500)	(106,900)	554,000
2025	964,000	(12,700)	(257,500)	(40,800)	(9,400)	(1,100)	(2,600)	(113,600)	526,300
2026	992,000	(13,100)	(265,000)	(42,000)	(9,700)	(1,100)	(2,700)	(120,400)	538,000
2027	1,021,000	(13,500)	(272,800)	(43,200)	(9,900)	(1,100)	(2,800)	(127,400)	550,300
2028	1,050,000	(13,900)	(280,500)	(44,400)	(10,200)	(1,200)	(2,900)	(134,500)	562,400
2029	1,080,000	(14,300)	(288,500)	(45,700)	(10,500)	(1,200)	(3,000)	(141,800)	575,000
2030	1,111,000	(14,700)	(296,800)	(47,000)	(14,400)	(1,600)	(3,100)	(149,200)	584,200
2031	1,142,000	(15,100)	(305,100)	(48,300)	(14,800)	(1,700)	(3,200)	(156,700)	597,100
2032	1,174,000	(15,500)	(313,600)	(49,700)	(15,200)	(1,700)	(3,300)	(164,500)	610,500
2033	1,206,000	(15,900)	(322,200)	(51,000)	(15,700)	(1,800)	(3,500)	(172,300)	623,600
2034	1,239,000	(16,400)	(331,000)	(52,400)	(16,100)	(1,800)	(3,600)	(180,300)	637,400

Source: Financial Advisor.



**TABLE NO. B-12  
PROJECTED TAX REVENUES  
RAMON-BOGIE REDEVELOPMENT PROJECT**

	<b>Gross Tax Increment</b>	<b>County Admin Charge</b>	<b>Contractual Tax Sharing</b>					<b>Statutory</b>		
			<b>County</b>	<b>Flood Control</b>	<b>CVMAD</b>	<b>Cemetery</b>	<b>CVWD</b>	<b>DWA</b>	<b>Tax Sharing</b>	<b>Tax Revenue</b>
2014	\$1,673,000	\$(22,100)	\$(382,800)	\$(58,400)	\$(13,100)	\$(1,500)	\$ -	\$(5,300)	\$(180,800)	\$1,009,000
2015	1,681,000	(22,200)	(384,600)	(58,700)	(13,200)	(1,500)	-	(5,400)	(182,700)	1,012,700
2016	1,715,000	(22,600)	(392,400)	(59,900)	(13,500)	(1,500)	-	(5,500)	(191,100)	1,028,500
2017	1,750,000	(23,100)	(471,100)	(61,100)	(17,200)	(2,000)	-	(5,600)	(199,600)	970,300
2018	1,786,000	(23,600)	(480,800)	(62,400)	(17,500)	(2,000)	-	(5,700)	(208,400)	985,600
2019	1,822,000	(24,100)	(490,500)	(63,700)	(17,900)	(2,000)	-	(5,900)	(217,300)	1,000,600
2020	1,860,000	(24,600)	(500,700)	(65,000)	(24,300)	(2,800)	-	(6,000)	(226,400)	1,010,200
2021	1,898,000	(25,100)	(510,900)	(66,300)	(24,800)	(2,800)	-	(6,100)	(235,700)	1,026,300
2022	1,937,000	(25,600)	(521,400)	(67,700)	(25,300)	(2,900)	-	(6,300)	(245,200)	1,042,600
2023	1,976,000	(26,100)	(531,900)	(69,000)	(25,900)	(3,000)	-	(6,400)	(254,800)	1,058,900
2024	2,016,000	(26,600)	(542,700)	(70,400)	(26,400)	(3,000)	-	(6,600)	(264,600)	1,075,700
2025	2,058,000	(27,200)	(554,000)	(71,900)	(26,900)	(3,100)	-	(6,700)	(274,700)	1,093,500
2026	2,100,000	(27,700)	(565,300)	(73,400)	(27,500)	(3,100)	-	(6,900)	(285,000)	1,111,100
2027	2,142,000	(28,300)	(576,600)	(74,800)	(28,000)	(3,200)	-	(7,000)	(295,400)	1,128,700
2028	2,186,000	(28,900)	(588,400)	(76,400)	(28,600)	(3,300)	-	(7,200)	(306,000)	1,147,200
2029	2,231,000	(29,400)	(600,600)	(77,900)	(29,200)	(3,300)	-	(7,300)	(317,000)	1,166,300
2030	2,276,000	(30,000)	(612,700)	(79,500)	(29,800)	(3,400)	-	(7,500)	(328,000)	1,185,100
2031	2,322,000	(30,700)	(625,100)	(81,100)	(30,400)	(3,500)	-	(7,700)	(339,300)	1,204,200
2032	2,370,000	(31,300)	(638,000)	(82,800)	(31,000)	(3,500)	-	(7,800)	(350,900)	1,224,700
2033	2,418,000	(31,900)	(650,900)	(84,500)	(31,600)	(3,600)	-	(8,000)	(362,600)	1,244,900
2034	2,467,000	(32,600)	(664,100)	(86,200)	(32,300)	(3,700)	-	(8,200)	(374,600)	1,265,300

Source: Financial Advisor.

**TABLE NO. B-13  
PROJECTED TAX REVENUES  
OASIS REDEVELOPMENT PROJECT**

	<b>Gross Tax Increment</b>	<b>County Admin Charge</b>	<b>Contractual Tax Sharing</b>				<b>Statutory Tax Sharing</b>	<b>Tax Revenue</b>
			<b>County</b>	<b>Flood Control</b>	<b>CVMAD</b>	<b>DWA</b>		
2014	\$346,000	\$(4,600)	\$ (92,400)	\$(14,600)	\$(4,500)	\$(1,200)	\$(32,800)	\$195,900
2015	348,000	(4,600)	(93,000)	(14,700)	(4,500)	(1,200)	(33,000)	197,000
2016	356,000	(4,700)	(95,100)	(15,100)	(4,600)	(1,200)	(35,000)	200,300
2017	364,000	(4,800)	(97,200)	(15,400)	(4,700)	(1,200)	(37,000)	203,700
2018	372,000	(4,900)	(99,400)	(15,700)	(4,800)	(1,300)	(39,000)	206,900
2019	381,000	(5,000)	(101,800)	(16,100)	(4,900)	(1,300)	(41,100)	210,800
2020	390,000	(5,100)	(104,200)	(16,500)	(5,100)	(1,300)	(43,300)	214,500
2021	399,000	(5,300)	(106,600)	(16,900)	(5,200)	(1,300)	(45,500)	218,200
2022	408,000	(5,400)	(109,000)	(17,300)	(5,300)	(1,400)	(47,700)	221,900
2023	417,000	(5,500)	(111,400)	(17,600)	(5,400)	(1,400)	(49,900)	225,800
2024	427,000	(5,600)	(114,100)	(18,100)	(5,500)	(1,400)	(52,200)	230,100
2025	437,000	(5,800)	(116,700)	(18,500)	(5,700)	(1,500)	(54,600)	234,200
2026	446,000	(5,900)	(119,200)	(18,900)	(5,800)	(1,500)	(56,900)	237,800
2027	457,000	(6,000)	(122,100)	(19,300)	(5,900)	(1,600)	(59,500)	242,600
2028	467,000	(6,200)	(124,800)	(19,800)	(6,100)	(1,600)	(62,000)	246,500
2029	477,000	(6,300)	(127,400)	(20,200)	(6,200)	(1,600)	(64,500)	250,800
2030	488,000	(6,400)	(130,400)	(20,600)	(6,300)	(1,700)	(67,100)	255,500
2031	499,000	(6,600)	(133,300)	(21,100)	(6,500)	(1,700)	(69,700)	260,100
2032	510,000	(6,700)	(136,200)	(21,600)	(6,600)	(1,700)	(72,400)	264,800
2033	521,000	(6,900)	(139,200)	(22,000)	(6,800)	(1,800)	(75,200)	269,100
2034	533,000	(7,000)	(142,400)	(22,600)	(6,900)	(1,800)	(78,000)	274,300

Source: Financial Advisor.

**TABLE NO. B-14  
PROJECTED TAX REVENUES  
HIGHLAND-GATEWAY REDEVELOPMENT PROJECT**

	<b>Gross Tax Increment</b>	<b>County Admin Charge</b>	<b>Contractual Tax Sharing</b>				<b>Statutory Tax Sharing</b>	<b>Tax Revenue</b>	
			<b>County</b>	<b>Flood</b>					
			<b>Control</b>	<b>CVWD</b>	<b>CVMAD</b>	<b>DWA</b>			
2014	\$620,000	\$ (8,200)	\$ (33,400)	\$ (700)	\$ -	\$ (6,500)	\$(2,000)	\$ (60,800)	\$508,400
2015	623,000	(8,200)	(33,600)	(700)	-	(6,500)	(1,600)	(61,200)	511,200
2016	637,000	(8,400)	(34,300)	(800)	-	(6,700)	(1,700)	(64,900)	520,200
2017	652,000	(8,600)	(35,200)	(800)	-	(6,800)	(1,700)	(68,700)	530,200
2018	667,000	(8,800)	(71,900)	(800)	-	(7,000)	(1,800)	(72,600)	504,100
2019	683,000	(9,000)	(73,700)	(800)	-	(7,200)	(1,800)	(76,600)	513,900
2020	698,000	(9,200)	(75,300)	(800)	-	(7,300)	(1,900)	(80,500)	523,000
2021	714,000	(9,400)	(77,000)	(900)	-	(7,500)	(1,900)	(84,700)	532,600
2022	731,000	(9,600)	(78,800)	(900)	-	(7,700)	(2,000)	(88,900)	543,100
2023	747,000	(9,900)	(80,600)	(900)	-	(7,800)	(2,100)	(93,100)	552,600
2024	764,000	(10,100)	(82,400)	(900)	-	(8,000)	(2,100)	(97,500)	563,000
2025	782,000	(10,300)	(126,500)	(900)	-	(8,200)	(2,200)	(102,000)	531,900
2026	799,000	(10,500)	(129,300)	(1,000)	-	(8,400)	(2,300)	(106,500)	541,000
2027	817,000	(10,800)	(132,200)	(1,000)	-	(8,600)	(2,300)	(111,100)	551,000
2028	836,000	(11,000)	(135,200)	(1,000)	-	(8,800)	(2,400)	(115,900)	561,700
2029	855,000	(11,300)	(138,300)	(1,000)	-	(9,000)	(2,500)	(120,700)	572,200
2030	874,000	(11,500)	(141,400)	(1,000)	-	(9,200)	(2,500)	(125,600)	582,800
2031	893,000	(11,800)	(240,800)	(1,100)	-	(9,400)	(2,600)	(130,600)	496,700
2032	913,000	(12,100)	(246,200)	(1,100)	-	(9,600)	(2,700)	(135,700)	505,600
2033	933,000	(12,300)	(251,600)	(1,100)	-	(9,800)	(2,700)	(140,900)	514,600
2034	954,000	(12,600)	(257,200)	(1,100)	-	(10,000)	(2,800)	(146,200)	524,100

Source: Financial Advisor.

**TABLE NO. B-15  
PROJECTED TAX REVENUES  
REDEVELOPMENT PROJECT NO. 9**

	Gross Tax <u>Increment</u>	County Admin <u>Charge</u>	Contractual Tax Sharing								Statutory Tax <u>Sharing</u>	Tax <u>Revenue</u>
			County	Flood Control	CVMAD	Cemetery	Supt of Schools	DWA	College District	School District		
2014	\$4,106,000	\$(54,200)	\$(1,630,200)	\$(165,900)	\$(53,600)	\$(4,900)	\$(64,100)	\$(13,300)	\$(117,900)	\$(413,000)	\$ -	\$1,588,900
2015	4,130,000	(54,500)	(1,636,600)	(166,900)	(53,900)	(4,900)	(64,500)	(13,400)	(118,600)	(415,400)	-	1,601,300
2016	4,238,000	(55,900)	(1,665,600)	(171,200)	(55,400)	(5,100)	(66,200)	(13,800)	(121,700)	(426,300)	-	1,656,800
2017	4,349,000	(57,400)	(1,164,400)	(175,700)	(56,800)	(5,200)	(67,900)	(14,200)	(124,900)	(437,500)	-	2,245,000
2018	4,461,000	(58,900)	(1,194,400)	(180,300)	(58,300)	(5,300)	(69,700)	(14,600)	(128,100)	(448,700)	-	2,302,700
2019	4,576,000	(60,400)	(1,225,200)	(184,900)	(59,800)	(5,500)	(71,500)	(15,000)	(131,400)	(460,300)	-	2,362,000
2020	4,692,000	(61,900)	(1,256,300)	(189,600)	(61,300)	(5,600)	(73,300)	(15,400)	(134,700)	(472,000)	2,000	2,423,900
2021	4,812,000	(63,500)	(1,288,400)	(194,400)	(62,900)	(5,700)	(75,200)	(15,800)	(138,200)	(484,000)	(5,000)	2,478,900
2022	4,933,000	(65,100)	(1,320,800)	(199,300)	(64,400)	(5,900)	(77,100)	(16,300)	(141,600)	(496,200)	(13,000)	2,533,300
2023	5,057,000	(66,800)	(1,354,000)	(204,300)	(66,100)	(6,000)	(79,000)	(16,700)	(145,200)	(508,700)	(20,000)	2,590,200
2024	5,184,000	(68,400)	(1,388,000)	(209,500)	(67,700)	(6,200)	(81,000)	(17,200)	(148,800)	(521,500)	(28,000)	2,647,700
2025	5,313,000	(70,100)	(1,422,500)	(214,700)	(69,400)	(6,300)	(83,000)	(17,600)	(152,500)	(534,400)	(35,000)	2,707,500
2026	5,445,000	(71,900)	(1,457,900)	(220,000)	(71,100)	(6,500)	(85,100)	(18,100)	(156,300)	(547,700)	(43,000)	2,767,400
2027	5,579,000	(73,600)	(1,493,700)	(225,400)	(72,900)	(6,700)	(87,100)	(18,600)	(160,200)	(561,200)	(51,000)	2,828,600
2028	5,716,000	(75,500)	(1,530,400)	(231,000)	(74,700)	(6,800)	(89,300)	(19,100)	(164,100)	(575,000)	(59,000)	2,891,100
2029	5,856,000	(77,300)	(1,567,900)	(236,600)	(76,500)	(7,000)	(91,500)	(19,600)	(168,100)	(589,100)	(67,000)	2,955,400
2030	5,998,000	(79,200)	(1,605,900)	(242,400)	(78,300)	(7,200)	(93,700)	(20,100)	(172,200)	(603,300)	(76,000)	3,019,700
2031	6,000,000	(79,200)	(1,606,500)	(242,400)	(78,400)	(7,200)	(93,700)	(20,600)	(172,300)	(603,500)	(85,000)	3,011,200
2032	6,000,000	(79,200)	(1,606,500)	(242,400)	(78,400)	(7,200)	(93,700)	(21,100)	(172,300)	(603,500)	(93,000)	3,002,700
2033	6,000,000	(79,200)	(1,606,500)	(242,400)	(78,400)	(7,200)	(93,700)	(21,700)	(172,300)	(603,500)	(102,000)	2,993,100
2034	6,000,000	(79,200)	(1,606,500)	(242,400)	(78,400)	(7,200)	(93,700)	(22,200)	(172,300)	(603,500)	(112,000)	2,982,600

Source: Financial Advisor.

**TABLE NO. B-16  
PROJECTED TAX REVENUES  
MERGED PROJECT NO. 2**

	<b>Gross Tax <u>Increment</u></b>	<b>County Admin <u>Charge</u></b>	<b>Contractual Tax <u>Sharing</u></b>	<b>Statutory Tax <u>Sharing</u></b>	<b>Tax <u>Revenue</u></b>	<b>Senior <u>Obligations</u></b>	<b>Available Tax <u>Revenue</u></b>
2014	\$ 4,937,000	\$ (65,200)	\$(1,703,000)	\$ (110,400)	\$3,058,400	\$(523,526)	\$2,534,874
2015	4,966,000	(65,500)	(1,714,500)	(114,100)	3,071,900	(525,421)	2,546,479
2016	5,091,000	(67,100)	(1,764,400)	(130,300)	3,129,200	(521,756)	2,607,444
2017	5,219,000	(68,900)	(1,815,400)	(146,800)	3,187,900	(522,812)	2,665,088
2018	5,349,000	(70,600)	(1,867,200)	(163,600)	3,247,600	(528,309)	2,719,291
2019	5,484,000	(72,400)	(1,920,700)	(180,900)	3,310,000	(526,449)	2,783,551
2020	11,584,000	(152,900)	(4,366,900)	(1,120,600)	5,943,600	(528,947)	5,414,653
2021	11,842,000	(156,300)	(4,470,300)	(1,156,800)	6,058,600	(525,484)	5,533,116
2022	12,105,000	(159,700)	(4,575,400)	(1,193,900)	6,176,000	(526,380)	5,649,620
2023	12,373,000	(163,300)	(4,682,500)	(1,233,700)	6,293,500	(526,314)	5,767,186
2024	12,647,000	(166,900)	(4,792,200)	(1,274,300)	6,413,600	(525,287)	5,888,313
2025	12,926,000	(170,700)	(4,903,800)	(1,315,700)	6,535,800	(523,297)	6,012,503
2026	13,212,000	(174,400)	(5,018,300)	(1,358,000)	6,661,300	(525,347)	6,135,953
2027	13,503,000	(178,200)	(5,134,500)	(1,401,100)	6,789,200	(526,114)	6,263,086
2028	13,798,000	(182,100)	(5,519,600)	(1,445,000)	6,651,300	(525,598)	6,125,702
2029	14,100,000	(186,100)	(5,640,500)	(1,489,800)	6,783,600	(528,801)	6,254,799
2030	14,409,000	(190,200)	(5,763,800)	(1,535,600)	6,919,400	(525,401)	6,393,999
2031	14,724,000	(194,400)	(5,890,000)	(1,582,400)	7,057,200	(525,719)	6,531,481
2032	15,044,000	(198,600)	(6,018,000)	(1,629,900)	7,197,500	(529,433)	6,668,067
2033	15,371,000	(202,900)	(6,148,900)	(1,678,400)	7,340,800	(526,225)	6,814,575
2034	15,705,000	(207,200)	(6,282,400)	(1,728,000)	7,487,400	(521,414)	6,965,986

Source: Financial Advisor.

**TABLE NO. B-17  
PROJECTED TAX REVENUES  
TAHQUITZ-ANDREAS REDEVELOPMENT PROJECT**

	<b>Gross Tax Increment</b>	<b>County Admin Charge</b>	<b>Contractual Tax Sharing</b>				<b>Statutory Tax Sharing</b>	<b>Tax Revenue</b>
			<b>County</b>	<b>Flood Control</b>	<b>CVMAD</b>	<b>DWA</b>		
2014	\$1,079,000	\$(14,200)	\$ (288,300)	\$ (45,700)	\$(14,000)	\$ -	\$ (50,300)	\$ 666,500
2015	1,086,000	(14,300)	(290,100)	(45,900)	(14,100)	-	(52,000)	669,600
2016	1,117,000	(14,700)	(298,400)	(47,300)	(14,500)	-	(59,600)	682,500
2017	1,149,000	(15,200)	(307,000)	(48,600)	(14,900)	-	(67,300)	696,000
2018	1,181,000	(15,600)	(315,500)	(50,000)	(15,300)	-	(75,100)	709,500
2019	1,215,000	(16,000)	(324,600)	(51,400)	(15,800)	-	(83,300)	723,900
2020	3,246,000	(42,800)	(867,200)	(137,300)	(42,200)	(6,800)	(576,400)	1,573,300
2021	3,320,000	(43,800)	(887,000)	(140,500)	(43,100)	(7,100)	(594,400)	1,604,100
2022	3,396,000	(44,800)	(907,300)	(143,700)	(44,100)	(7,300)	(612,800)	1,636,000
2023	3,473,000	(45,800)	(927,800)	(146,900)	(45,100)	(7,600)	(631,600)	1,668,200
2024	3,552,000	(46,900)	(948,900)	(150,300)	(46,100)	(7,900)	(650,700)	1,701,200
2025	3,633,000	(48,000)	(970,600)	(153,700)	(47,200)	(8,200)	(670,300)	1,735,000
2026	3,715,000	(49,000)	(992,500)	(157,200)	(48,200)	(8,500)	(690,200)	1,769,400
2027	3,799,000	(50,100)	(1,014,900)	(160,700)	(49,300)	(8,800)	(710,600)	1,804,600
2028	3,884,000	(51,300)	(1,037,600)	(164,300)	(50,400)	(9,100)	(731,300)	1,840,000
2029	3,971,000	(52,400)	(1,060,900)	(168,000)	(51,600)	(9,400)	(752,400)	1,876,300
2030	4,060,000	(53,600)	(1,084,600)	(171,800)	(52,700)	(9,700)	(774,000)	1,913,600
2031	4,151,000	(54,800)	(1,109,000)	(175,600)	(53,900)	(10,000)	(796,100)	1,951,600
2032	4,243,000	(56,000)	(1,133,500)	(179,500)	(55,100)	(10,400)	(818,500)	1,990,000
2033	4,337,000	(57,200)	(1,158,600)	(183,500)	(56,300)	(10,700)	(841,300)	2,029,400
2034	4,434,000	(58,500)	(1,184,600)	(187,600)	(57,600)	(11,000)	(864,800)	2,069,900

Source: Financial Advisor.

**TABLE NO. B-18  
PROJECTED TAX REVENUES  
BARISTO-FARRELL REDEVELOPMENT PROJECT**

	Gross Tax Increment	County Admin Charge	Contractual Tax Sharing					School District	Statutory Tax Sharing	Tax Revenue
			County	Flood Control	CVMAD	Supt of Schools	DWA			
2014	\$2,179,000	\$ (28,800)	\$ (315,000)	\$ (92,200)	\$(22,600)	\$ (33,800)	\$ (7,800)	\$(217,900)	\$ (55,500)	\$1,405,400
2015	2,193,000	(28,900)	(318,700)	(92,800)	(22,800)	(34,100)	(7,800)	(219,300)	(57,000)	1,411,600
2016	2,252,000	(29,700)	(334,500)	(95,300)	(23,400)	(35,000)	(8,000)	(225,200)	(63,500)	1,437,400
2017	2,312,000	(30,500)	(350,500)	(97,800)	(24,000)	(35,900)	(8,300)	(231,200)	(70,100)	1,463,700
2018	2,373,000	(31,300)	(366,800)	(100,400)	(24,700)	(36,900)	(8,500)	(237,300)	(76,900)	1,490,200
2019	2,436,000	(32,200)	(383,600)	(103,100)	(25,300)	(37,800)	(8,700)	(243,600)	(83,800)	1,517,900
2020	6,467,000	(85,400)	(1,460,500)	(273,600)	(67,200)	(100,400)	(23,100)	(646,700)	(528,100)	3,282,000
2021	6,612,000	(87,300)	(1,499,300)	(279,800)	(68,700)	(102,700)	(23,600)	(661,200)	(544,000)	3,345,400
2022	6,759,000	(89,200)	(1,538,500)	(286,000)	(70,200)	(105,000)	(24,100)	(675,900)	(560,300)	3,409,800
2023	6,909,000	(91,200)	(1,578,600)	(292,300)	(71,800)	(107,300)	(24,700)	(690,900)	(576,800)	3,475,400
2024	7,063,000	(93,200)	(1,619,800)	(298,800)	(73,400)	(109,700)	(25,200)	(706,300)	(593,800)	3,542,800
2025	7,219,000	(95,300)	(1,661,400)	(305,400)	(75,000)	(112,100)	(25,800)	(721,900)	(611,000)	3,611,100
2026	7,379,000	(97,400)	(1,704,200)	(312,200)	(76,700)	(114,600)	(26,300)	(737,900)	(628,600)	3,681,100
2027	7,542,000	(99,600)	(1,747,700)	(319,100)	(78,400)	(117,100)	(26,900)	(754,200)	(646,500)	3,752,500
2028	7,708,000	(101,700)	(2,059,200)	(326,100)	(80,100)	(119,700)	(27,500)	(770,800)	(664,800)	3,558,100
2029	7,877,000	(104,000)	(2,104,400)	(333,300)	(81,800)	(122,300)	(28,100)	(787,700)	(683,500)	3,631,900
2030	8,050,000	(106,300)	(2,150,600)	(340,600)	(83,600)	(125,000)	(28,700)	(805,000)	(702,500)	3,707,700
2031	8,226,000	(108,600)	(2,197,600)	(348,000)	(85,500)	(127,700)	(29,400)	(822,600)	(722,000)	3,784,600
2032	8,406,000	(111,000)	(2,245,700)	(355,700)	(87,300)	(130,500)	(30,000)	(840,600)	(741,800)	3,863,400
2033	8,589,000	(113,400)	(2,294,600)	(363,400)	(89,200)	(133,400)	(30,700)	(858,900)	(762,000)	3,943,400
2034	8,776,000	(115,800)	(2,344,500)	(371,300)	(91,200)	(136,300)	(31,300)	(877,600)	(782,600)	4,025,400

Source: Financial Advisor.

**TABLE NO. B-19  
PROJECTED TAX REVENUES  
CANYON REDEVELOPMENT PROJECT**

	Gross Tax Increment	County Admin Charge	Contractual Tax Sharing							Statutory		
			County	Flood Control	CVMAAD	Cemetery	Supt of Schools	College District	School District	DWA	Tax Sharing	Tax Revenue
2014	\$1,679,000	\$(22,200)	\$(336,400)	\$(56,800)	\$(17,400)	\$(2,000)	\$(31,300)	\$(47,900)	\$(167,900)	\$(6,000)	\$(4,600)	\$ 986,500
2015	1,687,000	(22,300)	(338,000)	(57,100)	(17,500)	(2,000)	(31,400)	(48,200)	(168,700)	(6,000)	(5,100)	990,700
2016	1,722,000	(22,700)	(345,000)	(58,300)	(17,900)	(2,000)	(32,100)	(49,200)	(172,200)	(6,100)	(7,200)	1,009,300
2017	1,758,000	(23,200)	(352,200)	(59,500)	(18,300)	(2,100)	(32,800)	(50,200)	(175,800)	(6,300)	(9,400)	1,028,200
2018	1,795,000	(23,700)	(359,700)	(60,800)	(18,600)	(2,100)	(33,500)	(51,200)	(179,500)	(6,400)	(11,600)	1,047,900
2019	1,833,000	(24,200)	(367,300)	(62,000)	(19,000)	(2,200)	(34,200)	(52,300)	(183,300)	(6,500)	(13,800)	1,068,200
2020	1,871,000	(24,700)	(374,900)	(63,300)	(19,400)	(2,200)	(34,900)	(53,400)	(187,100)	(6,700)	(16,100)	1,088,300
2021	1,910,000	(25,200)	(382,700)	(64,600)	(19,800)	(2,300)	(35,600)	(54,500)	(191,000)	(6,800)	(18,400)	1,109,100
2022	1,950,000	(25,700)	(390,700)	(66,000)	(20,300)	(2,300)	(36,300)	(55,700)	(195,000)	(7,000)	(20,800)	1,130,200
2023	1,991,000	(26,300)	(398,900)	(67,400)	(20,700)	(2,400)	(37,100)	(56,800)	(199,100)	(7,100)	(25,300)	1,149,900
2024	2,032,000	(26,800)	(407,100)	(68,800)	(21,100)	(2,400)	(37,900)	(58,000)	(203,200)	(7,300)	(29,800)	1,169,600
2025	2,074,000	(27,400)	(415,600)	(70,200)	(21,500)	(2,500)	(38,700)	(59,200)	(207,400)	(7,400)	(34,400)	1,189,700
2026	2,118,000	(28,000)	(424,400)	(71,700)	(22,000)	(2,500)	(39,500)	(60,500)	(211,800)	(7,600)	(39,200)	1,210,800
2027	2,162,000	(28,500)	(433,200)	(73,200)	(22,500)	(2,600)	(40,300)	(61,700)	(216,200)	(7,700)	(44,000)	1,232,100
2028	2,206,000	(29,100)	(442,000)	(74,700)	(22,900)	(2,600)	(41,100)	(63,000)	(220,600)	(7,900)	(48,900)	1,253,200
2029	2,252,000	(29,700)	(451,200)	(76,200)	(23,400)	(2,700)	(42,000)	(64,300)	(225,200)	(8,000)	(53,900)	1,275,400
2030	2,299,000	(30,300)	(460,600)	(77,800)	(23,900)	(2,700)	(42,800)	(65,600)	(229,900)	(8,200)	(59,100)	1,298,100
2031	2,347,000	(31,000)	(470,300)	(79,400)	(24,400)	(2,800)	(43,700)	(67,000)	(234,700)	(8,400)	(64,300)	1,321,000
2032	2,395,000	(31,600)	(479,900)	(81,100)	(24,900)	(2,800)	(44,600)	(68,400)	(239,500)	(8,500)	(69,600)	1,344,100
2033	2,445,000	(32,300)	(489,900)	(82,800)	(25,400)	(2,900)	(45,600)	(69,800)	(244,500)	(8,700)	(75,100)	1,368,000
2034	2,495,000	(32,900)	(499,900)	(84,500)	(25,900)	(3,000)	(46,500)	(71,200)	(249,500)	(8,900)	(80,600)	1,392,100

Source: Financial Advisor.



## APPENDIX C

### CITY OF PALM SPRINGS INFORMATION STATEMENT

#### General Information

The City of Palm Springs is located at the edge of the Coachella Valley in central Riverside County, sited at the base of Mt. San Jacinto. The City is located 107 miles east of Los Angeles and 120 miles west of the Arizona border. Palm Springs covers a geographical area of 96 square miles. Neighboring communities include Palm Desert, Rancho Mirage, Desert Hot Springs and Cathedral City.

A major Southern California resort destination, Palm Springs attracts both local vacationers, distant "snowbirds" and permanent retirees. Palm Springs is very much an event-oriented city. The Palm Springs International Film Festival is an annual event. With premieres, parties, conferences and celebrations, this festival epitomizes the Palm Springs lifestyle.

The Palm Springs area is well known for its championship golf courses. The Humana Challenge (formerly the Bob Hope Classic), the Kraft Nabisco Championship and the Frank Sinatra Celebrity Invitational Golf Tournament are three well-publicized celebrity events. With over 80 golf courses in the Palm Springs area, the Professional Golf Association holds tournaments in the area several times throughout its annual tour.

There are over 130 hotels and inns within the Palm Springs area offering approximately 6,500 rooms. Accommodating vacationers and visitors plays a major role in the City's economy, providing a significant amount of transient occupancy tax and sales tax.

#### General Organization

The City of Palm Springs was incorporated as a general law city on April 20, 1938, and, operates under the council/manager form of government. It became a charter city on July 12, 1994. The City is governed by a five-member council consisting of four members each elected at large for four-year alternating terms and a Mayor elected to a four-year term. Positions of City Manager and City Attorney are filled by appointments of the Council. The City of Palm Springs currently employs approximately \_\_\_ full-time staff members including sworn officers and fire personnel.

#### Governmental Services

##### *Public Safety and Welfare*

The City of Palm Springs Police Department consists of \_\_\_ sworn police officers and non-sworn personnel providing patrol, traffic, animal control and investigations. There are 4 operating fire stations located in and operated by the City, staffed by \_\_\_ fire personnel. The City also provides parking control in the downtown business district.

##### *Public Services*

Water is supplied to Palm Springs by the Desert Water Agency. Sewer service is provided by the City. Although the City operates two cogeneration facilities which provide electricity to certain municipally owned facilities, Southern California Edison provides electricity to the citizens of the City of Palm Springs. The City owns and operates the Palm Springs International Airport, with 5 major airlines and 5 commuter airlines serving over 1.7 million passengers in 2013.

### *Community Services*

Other services provided by the City include building permit and inspection, planning and zoning, landscape and public infrastructure maintenance, street cleaning, traffic signal maintenance, municipal code compliance and rent control.

### *Parks and Recreation*

The City operates the Library Center, a 33,000 square foot facility with over 155,000 items available, as well as free wireless internet access and downloadable books for Kindle. The Village Green, located in the heart of downtown Palm Springs, includes the Historical Society Museum, the Cornelia White historical site and Ruddy's General Store Museum. The Palm Springs Department of Parks and Recreation provides citizens with a variety of park and recreational services on a year round basis. Facilities include two community centers, eight park, a dog park, an Olympic size community pool, twelve tennis courts, the 18-hole Tahquitz Creek – Legends golf course and the 18-hole Tahquitz Creek – Resort golf course, a 30,000 square feet skate park and five playgrounds, as well as biking and hiking trails. Frances Stevens Park is home to Palm Canyon Theatre, a regional Actors Equity theatre, and an art/festival center.

## **Community Information**

The City of Palm Springs is served by the Palm Springs Unified School District, with 16 elementary schools, 5 middle schools, 3 comprehensive high schools, 1 continuation high school, 2 independent study programs, and an extensive adult education program serving the Coachella Valley. In addition, higher education in the Coachella Valley includes the College of the Desert, a local accredited junior college, with a main campus in Palm Desert, and East Valley Center in Indio, and a planned West Valley Campus in Palm Springs. In the nearby City of Palm Desert, a satellite campus of California State University, San Bernardino (CSUSB) offers curriculum towards a B.A. in various disciplines as well as Bachelor of vocational education; special B.A. in paralegal administration, and 6 masters degree programs, including education and public administration. Teaching credentials are also available. In addition, CSUSB is currently working with local government agencies to select a site for a permanent independent campus in the Coachella Valley.

Medical services in the Coachella Valley are provided by a number of local and regional facilities. The Desert Regional Medical Center, located in Palm Springs, is a 367-bed acute care regional medical center that is home to the Coachella Valley's only designated trauma center. Eisenhower Medical Center, in nearby Rancho Mirage, is a health care complex comprised of a 542-bed hospital, the Annenberg Center for Health Sciences at Eisenhower, the Barbara Sinatra Children's Center at Eisenhower and the Betty Ford Center on the Eisenhower campus. The 158-bed JFK Memorial Hospital is part of Tenet, California, and is located in Indio.

Palm Springs has many visitor attractions in addition to the weather and championship golf courses. The Palm Springs Aerial Tramway, rising 8,516 feet up Mt. San Jacinto, is the world's largest rotating tramcar. Mt. San Jacinto State Park offers 54 miles of hiking trails located within a 13,000 acre pristine wilderness. Centuries ago, ancestors of the Agua Caliente Cahuilla Indians settled in the Palm Springs area and developed extensive and complex communities in Palm, Murray, Andreas, Tahquitz and Chino Canyons. Many traces of these communities exist in the canyons today, including rock art, house pits and foundations, irrigation ditches, dams, reservoirs, and trails.

The Fabulous Palm Springs Follies features the music, dance -- and cast -- of Mid-Century America. World-renowned guest stars and international variety acts join the Follies' world-renowned line of Long-Legged Lovelies and Follies Gentlemen, who range in age from 56 to 82. The Palm Springs Art Museum is located in downtown Palm Springs, and the museum's extensive permanent collection includes significant works by western, contemporary and glass artists, and features temporary exhibitions from

internationally acclaimed artists. Located inside the Palm Springs Art Museum, the Annenberg Theater presents an eclectic mix of live events including national touring companies. In addition, the Palm Springs Air Museum offers one of the world's finest collections of functioning World War II aircraft.

Founded in 1990 by then Mayor Sonny Bono, the Palm Springs International Film Festival celebrated its 25th anniversary in January 2014. The Festival included over 400 screenings of more than 200 films from approximately 60 countries. The Festival presents a majority of the films submitted for consideration in the Best Foreign Language category for the Academy Awards, as well as a large number of American independent and international features and documentaries marking their world, North American or U.S. debuts. Screenings are held on 15 screens throughout Palm Springs. The Festival's Awards Gala draws the biggest actors and actresses, celebrity filmmakers, media, industry professionals and film fans from all over the world to kick off the winter awards season in style.

## **Transportation**

Interstate 10 runs adjacent to Palm Spring's northern City limits. This route provides access to the Southern California freeway system to the west, as well as Arizona to the east. Rail freight service is available from Southern Pacific Transportation. Bus services are provided by Continental Trailways, Greyhound Bus Lines and Sunline System, both local and distant. Palm Springs International Airport is the only commercial airport in Riverside County and is served by 5 major airlines.

## Population

The following table provides a comparison of population growth for Palm Springs, surrounding cities and Riverside County between 2010 and 2014. During the winter season, population in Palm Springs increases to approximately 75,000.

**TABLE NO. C-1  
CHANGE IN POPULATION  
PALM SPRINGS, SURROUNDING CITIES AND RIVERSIDE COUNTY  
2010 – 2014**

January 1 Year	PALM SPRINGS		SURROUNDING CITIES		RIVERSIDE COUNTY	
	Population	Percentage Change	Population	Percentage Change	Population	Percentage Change
2010	44,480		142,359		2,179,692	
2011	44,829	0.8%	144,996	1.9%	2,205,731	1.2%
2012	45,415	1.3%	147,004	1.4%	2,234,209	1.3%
2013	45,724	0.7%	147,790	0.5%	2,255,653	1.0%
2014	46,135	0.9%	148,758	0.7%	2,279,967	1.1%
% Change Between 2010 - 2014		3.7%			4.5%	4.6%

Surrounding cities include Cathedral City, Desert Hot Springs, Palm Desert and Rancho Mirage.

Source: *State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Counts" Sacramento, California, November 2012, and "E-4 Population Estimates for Cities, Counties, and the State, 2011-2014, with 2010 Census Benchmark" Sacramento, California, May 2014.*

## Per Capita Income

Per capita income information for Palm Springs, Riverside County, the State of California and the United States are summarized in the following table.

**TABLE NO. C-2  
PER CAPITA INCOME  
CITY OF PALM SPRINGS, RIVERSIDE COUNTY, CALIFORNIA AND UNITED STATES <sup>(1)</sup>  
2008 – 2012**

Year	Palm Springs	Riverside County	State of California	United States
2008	\$29,260	\$30,808	\$43,609	\$40,873
2009	28,883	29,433	41,569	39,357
2010	35,974	29,563	42,297	40,163
2011	36,875	31,074	44,666	42,298
2012	37,498	31,742	46,477	43,735

Source: U.S. Department of Commerce, Bureau of Economic Analysis; and City of Pam Springs Comprehensive Annual Financial Report.

<sup>(1)</sup> For Riverside County, State of California and United States, per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2012 reflect county population estimates available as of March 2013.

Note: All state and local area dollar estimates are in current dollars (not adjusted for inflation). Estimates for 2001 forward reflect the results of the comprehensive revision to the national income and product accounts (NIPAs) released in July 2013. This will create a temporary break in BEA's time series for earlier years.

Last updated: November 21, 2013 - new estimates for 2012; revised estimates for 2001-2011.

## Employment

As of February 2014, the civilian labor force for the City was approximately 27,800 of whom 25,700 were employed. The unadjusted unemployment rate as of February 2014 was 7.3% for the City as compared to 9.5% for the County and 8.5% for the State. Civilian labor force, employment and unemployment statistics for the City, County, the State and the nation, for the years 2009 through 2013 are shown in the following table:

**TABLE NO. C-3  
CITY OF PALM SPRINGS  
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
ANNUAL AVERAGES**

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
<u>2009</u>				
City of Palm Springs	26,300	23,600	2,700	10.4%
Riverside County	917,100	794,400	122,800	13.4%
California	18,220,100	16,155,000	2,065,100	11.3%
United States	154,142,000	139,877,000	14,265,000	9.3%
<u>2010</u>				
City of Palm Springs	26,900	23,800	3,100	11.3%
Riverside County	939,500	803,300	136,200	14.5%
California	18,336,300	16,068,400	2,267,900	12.4%
United States	153,889,000	139,064,000	14,285,000	9.6%
<u>2011</u>				
City of Palm Springs	27,000	24,100	2,900	10.7%
Riverside County	942,200	812,800	129,400	13.7%
California	18,417,900	16,249,600	2,168,300	11.8%
United States	153,617,000	139,869,000	13,747,000	8.9%
<u>2012</u>				
City of Palm Springs	27,400	24,800	2,600	9.4%
Riverside County	950,600	835,200	115,400	12.1%
California	18,519,000	16,589,700	1,929,300	10.4%
United States	154,975,000	142,469,000	12,506,000	8.1%
<u>2013</u>				
City of Palm Springs	27,600	25,400	2,200	7.9%
Riverside County	953,200	855,300	97,900	10.3%
California	18,596,800	16,933,300	1,663,500	8.9%
United States	155,389,000	143,929,000	11,460,000	7.4%

Source: California State Employment Development Department and United States Bureau of Labor Statistics.

The City is located in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA). As of February 2014, six major job categories constitute 79.7% of the work force. They are government (18.1%), service producing (17.6%), educational and health services (14.9%), leisure and hospitality (11.3%), professional and business services (10.8%), and manufacturing (7.0%).

**TABLE NO. C-4**  
**RIVERSIDE-SAN BERNARDINO-ONTARIO MSA**  
**WAGE AND SALARY WORKERS BY INDUSTRY <sup>(1)</sup>**  
**(in \$ thousands)**

Industry	2009	2010	2011	2012	2013
Government	237.3	231.5	228.1	227.2	228.1
Other Services	37.5	38.5	39.2	40.2	39.2
Leisure and Hospitality	122.8	124.0	127.5	133.8	142.0
Educational and Health Services	153.7	156.7	164.2	178.8	187.5
Professional and Business Services	119.5	125.1	126.6	129.5	135.8
Financial Activities	41.1	40.4	39.8	41.7	42.3
Information	14.2	12.6	11.7	11.3	11.2
Transportation, Warehousing and Utilities	65.3	67.7	70.7	76.6	79.9
Service Producing					
Retail Trade	153.0	155.0	158.8	161.1	165.3
Wholesale Trade	48.3	48.7	49.4	54.8	56.8
Manufacturing					
Nondurable Goods	29.6	29.0	29.0	29.9	29.6
Durable Goods	54.7	55.0	56.5	56.4	57.5
Goods Producing					
Construction	58.5	57.0	58.0	66.3	69.3
Mining and Logging	<u>1.0</u>	<u>1.0</u>	<u>1.2</u>	<u>1.2</u>	<u>1.1</u>
Total Nonfarm	1,136.6	1,142.1	1,160.7	1,208.8	1,245.6
Farm	<u>12.4</u>	<u>13.8</u>	<u>12.8</u>	<u>12.7</u>	<u>12.8</u>
Total (all industries)	<u>1,149.0</u>	<u>1,155.9</u>	<u>1,173.5</u>	<u>1,221.5</u>	<u>1,258.4</u>

Source: State of California Employment Development Department, Labor Market Information Division, "Industry Employment & Labor Force - by month March 2013 Benchmark."

<sup>(1)</sup> Annually, as of February.

**TABLE NO. C-5  
CITY OF PALM SPRINGS  
MAJOR EMPLOYERS**

The major employers operating within the City and their respective number of employees as of June 30, 2013 are as follows:

<u>Name of Company</u>	<u>Employment</u>	<u>Type of Business/Service</u>
Western Pacific Roofing Corp.	100-249	Roofing Contractor
Care Fusion	250-499	Medical Equipment – Manufacturing
VIP Motor Cars Ltd.	100-249	Car Dealership
Lowe's Home Improvement	100-249	Home Improvement Products
Stater Brothers Markets	100-249	Grocery Store
Walmart Supercenter	250-499	Discount Store
US Post Office	100-249	Government
Desert Sun	250-499	Daily Newspaper
Coldwell Banker	100-249	Real Estate
Tarbell Realtors	100-249	Real Estate

Source: City of Palm Springs/California State Employment Development Department.



## Commercial Activity

The following table summarizes the volume of retail sales and taxable transactions for the City of Palm Springs for 2008 through 2012 (the most recent year for which statistics are available from the State Board of Equalization for the full year). See "FINANCIAL INFORMATION - Local Taxes" herein.

**TABLE NO. C-6**  
**CITY OF PALM SPRINGS**  
**TOTAL TAXABLE TRANSACTIONS**  
(in \$ thousands)  
2008 – 2012

Year	Retail and Food Services		Retail and Food Services		Total Taxable Transactions		Issued Sales Permits
	(\$000's)	% Change	Permits	(\$000's)	% Change		
2008	\$648,728		1,059	\$826,056		2,043	
2009	579,183	(10.7%)	1,298	763,354	(7.6%)	1,865	
2010	610,488	5.4%	1,320	806,540	5.7%	1,869	
2011	662,012	8.4%	1,409	880,426	9.2%	1,973	
2012	728,329	10.0%	1,459	955,731	8.6%	2,036	

Source: State Board of Equalization, "Taxable Sales in California."

The following table compares taxable transactions for the City of Palm Springs and surrounding cities for the years 2008 through 2012 (the most recent year for which statistics are available from the State Board of Equalization for the full year).

**TABLE NO. C-7**  
**CHANGE IN TOTAL TAXABLE TRANSACTIONS**  
**PALM SPRINGS AND SURROUNDING CITIES**  
(in \$ thousands)  
2008 – 2012

City	2008	2009	2010	2011	2012	% Change from 2008 - 2012
PALM SPRINGS	\$ 826,056	\$ 763,354	\$ 806,540	\$ 880,426	\$ 955,731	15.7%
Cathedral City	649,612	546,894	559,069	606,771	648,817	(0.1%)
Palm Desert	1,447,663	1,213,935	1,266,834	1,384,208	1,470,982	1.6%

Source: State Board of Equalization, "Taxable Sales in California."

Taxable transactions by type of business for the City of Palm Springs for 2008 through 2012 (the most recent year for which statistics are available from the State Board of Equalization for the full year) are summarized in Table No. C-8.

**TABLE NO. C-8**  
**CITY OF PALM SPRINGS**  
**TAXABLE TRANSACTIONS BY TYPE OF BUSINESS**  
**(in \$ thousands)**  
**2008 – 2012**

	2008	2009	2010	2011	2012
<i>Retail and Food Services</i>					
<i>Clothing and Clothing</i>					
Accessories Stores	\$ 17,289	\$ 31,268	\$ 33,871	\$ 35,678	\$ 39,934
General Merchandise Stores	98,333	#	#	#	#
Food and Beverage Stores	38,979	41,454	42,565	44,267	49,225
Food Services and Drinking Places	158,015	152,975	160,993	177,414	193,066
<i>Home Furnishings and</i>					
Appliance Stores	9,067	6,661	9,974	11,699	12,737
<i>Building Materials and Garden</i>					
Equipment and Supplies	83,112	75,080	77,396	81,638	89,755
Motor Vehicle and Parts Dealers	#	#	#	#	#
Gasoline Stations	126,937	82,493	92,823	103,943	122,154
Other Retail Group	116,997 #	189,253 #	192,866 #	207,373 #	221,458 #
<b>Total Retail and Food Services</b>	<b><u>648,729</u></b>	<b><u>579,184</u></b>	<b><u>610,488</u></b>	<b><u>662,012</u></b>	<b><u>728,329</u></b>
<i>All Other Outlets</i>	177,327	184,170	196,053	218,415	227,402
<b>Total All Outlets</b>	<b><u>\$826,056</u></b>	<b><u>\$763,354</u></b>	<b><u>\$806,540</u></b>	<b><u>\$880,426</u></b>	<b><u>\$955,731</u></b>

Source: California State Board of Equalization, "Taxable Sales in California."

Note: Detail may not compute to total due to rounding.

# Sales omitted because their publication would result in the disclosure of confidential information.

## Building Activity

The following table summarizes building activity valuations for the City of Palm Springs for the five fiscal years 2008/09 through 2012/13.

**TABLE NO. C-9  
CITY OF PALM SPRINGS  
BUILDING ACTIVITY AND VALUATION  
2008/09 - 2012/13**

	2008/09	2009/10	2010/11	2011/12	2012/13
Residential	\$ 46,205,943	\$ 36,524,918	\$ 32,433,590		
Commercial	<u>90,523,790</u>	<u>38,722,659</u>	<u>23,497,970</u>		
<b>Total Valuation</b>	<b><u>\$136,729,733</u></b>	<b><u>\$ 75,247,577</u></b>	<b><u>\$ 55,931,560</u></b>		
<b>Number of Residential Units</b>	4	0	23		

Source: City of Palm Springs.

**APPENDIX D**  
**CITY AUDITED FINANCIAL STATEMENTS**

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Successor Agency to the Palm Springs Community Redevelopment Agency (the "Issuer") in connection with the issuance of its \$ \_\_\_\_\_ 2014 Subordinate Tax Allocation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2014, by and between the Issuer and U.S. Bank National Association (the "Trustee") (the "Indenture"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12.

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

"*Annual Report*" means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means March 31 in each year, beginning March 31, 2015.

"*Dissemination Agent*" means Harrell & Company Advisors, LLC, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) or 5(b).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the Official Statement dated \_\_\_\_\_, 2014 relating to the Bonds.

"*Participating Underwriter*" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2015 with the report for the 2013/14 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4. Not later than 5 days prior to the Annual Report Date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). 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; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Dissemination Agent (if other than the Issuer) shall have no duty or obligation to review such Annual Report.

(b) If the Issuer does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Issuer shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

(d) The Issuer shall also electronically file a copy of the Annual Report with the Insurer.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. The audited Financial Statements of the Issuer may be included in the City of Palm Springs' Comprehensive Annual Financial Report if no separate Financial Statement is prepared for the Issuer.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Issuer for the prior fiscal year of the type included in the Official Statement, in the following categories (to the extent not included in the Issuer's audited financial statements):

(i) aggregate assessed values of the Project Areas in the same manner as provided in the Official Statement in Table No. 1;

(ii) calculation of the coverage ratio for such fiscal year, including Additional Bonds, calculated in the same manner as provided in the Official Statement under the section entitled "Projected Tax Revenues and Debt Service Coverage";

(iii) description of outstanding indebtedness payable from Tax Revenues issued during such fiscal year; and

(iv) a calculation of the Remaining Limitation Amount, and a comparison of such amount to the aggregate amount of scheduled debt service remaining to be paid on the Bonds, and all outstanding Senior Obligations, Parity Debt and all outstanding Subordinate Debt secured by a lien on or pledge of Tax Revenues.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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 Issuer or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The Successor Agency shall, or shall cause the Dissemination (if not the Successor Agency) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, 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 security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the Successor Agency obtains knowledge of the occurrence of a Listed Event, the Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor Agency) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate 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 Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Trustee. The Dissemination Agent may resign by providing thirty days prior written notice to the Issuer.

Section 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the Successor Agency may amend this Disclosure Agreement, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Successor Agency to the effect



that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent (if other than the Issuer), its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Issuer 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 may conclusively rely upon the Annual Report provided to it by the Issuer as constituting the Annual Report required of the Issuer in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Issuer in a timely manner in a form suitable for filing with the MSRB. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the Holders or Beneficial Owners of the Certificates, the Issuer, the Participating Underwriters or any other party or person. No provision of this Disclosure Certificate shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

Section 13. Beneficiaries. This Disclosure Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and creates no rights in any other person or entity.

Date: \_\_\_\_\_, 2014

SUCCESSOR AGENCY TO THE PALM SPRINGS  
COMMUNITY REDEVELOPMENT AGENCY

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

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Successor Agency to the Palm Springs Community Redevelopment Agency  
Name of Bond Issues: 2014 Subordinate Tax Allocation Refunding Bonds  
Date of Issuance: \_\_\_\_\_, 2014

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section \_\_\_ of the Indenture, dated as of June 1, 2014, between the Issuer and U.S. Bank National Association as, trustee. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

SUCCESSOR AGENCY TO THE PALM SPRINGS  
COMMUNITY REDEVELOPMENT AGENCY

By: \_\_\_\_\_

**APPENDIX F**  
**PROPOSED FORM OF BOND COUNSEL OPINION**

[TO BE PROVIDED BY BOND COUNSEL]

## APPENDIX G

### THE BOOK-ENTRY SYSTEM

*The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.*

*No assurances can be given 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.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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 Standard & Poor’s 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) and [www.dtc.org](http://www.dtc.org). *The information contained on these Internet sites is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from Issuer or Agent, 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

**RESOLUTION NO. \_\_\_\_\_****A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
PALM SPRINGS, ACTING SOLELY IN ITS CAPACITY AS  
SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY  
REDEVELOPMENT AGENCY, CONFIRMING THE ISSUANCE  
OF 2014 SUBORDINATE TAX ALLOCATION REFUNDING  
BONDS PURSUANT TO INDENTURE OF TRUST, APPROVING  
BOND PURCHASE AGREEMENT AND PRELIMINARY AND  
FINAL OFFICIAL STATEMENTS AND PROVIDING OTHER  
MATTERS RELATING THERETO**

**WHEREAS**, the Community Redevelopment Agency of the City of Palm Springs (the "Former Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (the "Redevelopment Law");

**WHEREAS**, redevelopment plans for the redevelopment project areas designated "Palm Springs Merged Redevelopment Project No. 1" and "Palm Springs Merged Redevelopment Project No. 2" in the City of Palm Springs, California, were adopted in compliance with all requirements of the Redevelopment Law;

**WHEREAS**, pursuant to Section 34172(a) of the California Health and Safety Code (unless otherwise noted, all Section references hereinafter being to such Code), the Former Agency has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173, the City of Palm Springs has become the successor entity to the Former Agency (the "Successor Agency");

**WHEREAS**, prior to the dissolution of the Former Agency, the Former Agency issued its Community Redevelopment Agency of the City of Palm Springs 2001 Housing Tax Allocation Bonds in the initial principal amount of \$5,805,000 (the "2001 Housing Bonds"), its Community Redevelopment Agency of the City of Palm Springs Merged Project No. 1 Tax Allocation Refunding Bonds, 2004 Series A, in the initial principal amount of \$14,240,000 (the "2004A Bonds") and its Community Redevelopment Agency of the City of Palm Springs Merged Project No. 2 Tax Allocation Refunding Bonds, 2004 Series B, in the initial principal amount of \$9,075,000 (the "2004B Bonds" and, together with the 2001 Housing Bonds and the 2004A Bonds, the "Prior Bonds");

**WHEREAS**, Section 34177.5(a)(1) authorizes the Successor Agency to undertake proceedings for the refunding of outstanding bonds and other obligations of the Former Agency in order to achieve debt service savings within the parameters set forth in Section 34177.5(a)(1) (the "Savings Parameters"), and to issue bonds for such purpose pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law")

**WHEREAS**, the Successor Agency determined in its Resolution No. 23548, adopted May 7, 2014 (the "Resolution of Issuance"), that it will achieve debt service



savings in compliance with the Savings Parameters as evidenced by the analysis prepared by its Financial Advisor, Harrell & Company, Advisors, describing potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the refunding of the Prior Bonds (the "Debt Service Savings Analysis");

**WHEREAS**, the Successor Agency has further determined that the potential debt service savings evidenced by the Debt Service Savings Analysis can be achieved by the issuance by the Successor Agency of its Palm Springs Community Redevelopment Agency 2014 Subordinate Tax Allocation Refunding Bonds (the "Refunding Bonds") pursuant to the Redevelopment Law, the Refunding Law and the form of Indenture of Trust, dated as of May 1, 2014, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Indenture") approved by the Successor Agency pursuant to the Resolution of Issuance;

**WHEREAS**, pursuant to Section 34179, an oversight board (the "Oversight Board") has been established for the Successor Agency and the Successor Agency by the Resolution of Issuance approved the Debt Service Savings Analysis for submission to the Oversight Board and requested that the Oversight Board direct the Successor Agency to undertake such refunding proceedings by the issuance of the Refunding Bonds;

**WHEREAS**, pursuant to Section 34177.5(f), the Oversight Board by Resolution No. 022, adopted May 8, 2014, directed the Successor Agency to undertake such refunding proceedings;

**WHEREAS**, the Successor Agency by the Resolution of Issuance also approved the issuance of the Refunding Bonds and requested the Oversight Board to approve the issuance, sale and delivery of the Refunding Bonds, as authorized by Section 34177.5(f) and the Indenture;

**WHEREAS**, the Oversight Board by Resolution No. 022 also approved the issuance, sale and delivery of the Refunding Bonds by the Successor Agency and Resolution No. 022 has been submitted to the California Department of Finance for its approval of such approval by the Oversight Board;

**WHEREAS**, the Agency has determined to sell the Refunding Bonds to Stifel, Nicolaus & Company, Inc. (the "Underwriter") pursuant to a Bond Purchase Agreement between the Successor Agency and the Underwriter (the "Bond Purchase Agreement"), the form of which is on file with the City Clerk as secretary to the Successor Agency (the "Secretary");

**WHEREAS**, the Successor Agency has caused to be prepared a form of Official Statement describing the Refunding Bonds and containing material information relating to the Refunding Bonds, the preliminary form of which is on file with the Secretary;

**WHEREAS**, the Successor Agency, with the aid of its staff, has reviewed the Bond Purchase Agreement and the Official Statement and wishes at this time to approve the foregoing as in the public interests of the Successor Agency and applicable taxing entities;

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Palm Springs, acting solely in its capacity as the Successor Agency to the Palm Springs Community Redevelopment Agency, as follows:

**Section 1. Confirmation of Approval of Issuance of the Bonds.** The Successor Agency hereby confirms its actions in the Resolution of Issuance authorizing and approving the issuance of the Refunding Bonds pursuant to the Indenture and under the Redevelopment Law and the Refunding Law.

**Section 2. Sale of the Refunding Bonds.** The Successor Agency hereby approves the sale of the Refunding Bonds to the Underwriter pursuant to and in accordance with the Bond Purchase Agreement. Each of the Mayor, as the presiding officer of the Successor Agency, or the City Manager of the City of Palm Springs, as the chief administrative officer of the Successor Agency (each, an "Authorized Officer") is hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to sell the Refunding Bonds to the Underwriter and to execute and deliver the Bond Purchase Agreement, subject to the terms and conditions of the Bond Purchase Agreement; provided, however, that the principal amount of the Bonds shall not exceed \$20,000,000 (as provided in the Resolution of Issuance), the true interest cost of the Bonds shall not exceed 4.25% and the Underwriter's discount shall not exceed 0.70%, excluding original issue discount.

**Section 3. Approval of Official Statement.** The Successor Agency hereby approves the preliminary Official Statement describing the Refunding Bonds, in substantially the form on file with the Secretary. Distribution of the preliminary Official Statement by the Underwriter is hereby approved, and, prior to the distribution of the preliminary Official Statement, either Authorized Officer is authorized and directed, on behalf of the Successor Agency, to deem the preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by an Authorized Officer, and such information permitted to be excluded from the preliminary Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the Refunding Bonds, and the Authorized Officer is authorized and directed to execute and deliver the final Official Statement for and on behalf of the Successor Agency, to deliver to the Underwriter a certificate with respect to the information set forth therein and to deliver to the Underwriter a Continuing Disclosure Certificate substantially in the form appended to the final Official Statement.

**Section 4. Official Actions.** All actions heretofore taken by the officers and agents of the Successor Agency with respect to the issuance of the Refunding Bonds are hereby approved, confirmed and ratified. The Authorized Officers, the Finance Director/Treasurer of the City of Palm Springs as the treasurer of the Successor Agency, the City Attorney as general counsel of the Successor Agency, the Secretary and any and all other officers of the Successor Agency are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, including requisitions for the payment of costs of issuance of the Refunding Bonds, agreements, including agreements in customary form providing for the investment of the proceeds of the Refunding Bonds, notices, consents, and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the sale, issuance and delivery of the Refunding Bonds to the Underwriter.

**Section 5. California Department of Finance Approval.** Notwithstanding anything herein to the contrary, this Resolution shall not take effect unless and until the California Department of Finance issues its letter approving Oversight Board Resolution No. 022.

**PASSED AND ADOPTED** by the City Council of the City of Palm Springs acting as the Successor Agency to the Palm Springs Community Redevelopment Agency this 18th day of June, 2014, by the following vote:

AYES:

NOES:

ABSENT:

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Chair

Attest:

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Secretary

§ \_\_\_\_\_  
**SUCCESSOR AGENCY TO THE  
PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY  
2014 SUBORDINATE TAX ALLOCATION BONDS**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2014

Successor Agency to the Palm Springs Community Redevelopment Agency  
3200 E. Tahquitz Canyon Way  
Palm Springs, California 92262

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), acting not as fiduciary or agent for you, but on behalf of itself, hereby offers to enter into this Bond Purchase Agreement (this “Purchase Agreement”) with the Successor Agency to the Palm Springs Community Redevelopment Agency (the “Successor Agency”) for the purchase from the Successor Agency, of its \$ \_\_\_\_\_ 2014 Subordinate Tax Allocation Bonds. This offer is made subject to acceptance hereof by the Successor Agency prior to 11:59 p.m., California time, on \_\_\_\_\_, 2014, and upon such acceptance, as evidenced by the signature of the Executive Director of the Successor Agency in the space provided herein. This Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Successor Agency and the Underwriter.

The Successor Agency acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the Successor Agency and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed a fiduciary responsibility in favor of the Successor Agency with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City or the Authority on other matters); (iv) the Underwriter has financial and other interests that differ from those of the Successor Agency; and (v) the Successor Agency has consulted with its own legal, financial and other advisors to the extent it has deemed appropriate in connection with the offering of the Bonds.

1. Purchase and Sale of the Bonds. Upon the terms and conditions and upon the basis of the representations and agreements herein set forth, the Successor Agency hereby agrees to sell and the Underwriter hereby agrees to purchase from the Successor Agency for offering to the public all (but not less than all) of the Bonds at a price of \$ \_\_\_\_\_ (being the principal amount of the Bonds [plus/less] a net original issue [premium/discount] of \$ \_\_\_\_\_ and less an underwriters’ discount of \$ \_\_\_\_\_).

The Bonds will be issued under an Indenture of Trust, dated as of July 1, 2014 (the "Indenture"), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds will mature and bear interest at the interest rates as shown in Appendix A hereto and will be subject to redemption according to the terms set forth in the Indenture. The Bonds will be authorized and issued pursuant to the Indenture approved by Resolution No. \_\_\_\_\_ adopted by the Successor Agency on \_\_\_\_\_, 2014 (the "Resolution"), and by Resolution No. \_\_\_\_\_ adopted by the Oversight Board for the Successor Agency on \_\_\_\_\_, 2014 (the "Oversight Board Resolution"), and in accordance with Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Bond Law"), Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("AB 1484"), enacted as Chapter 26, Statutes of 2012 (the "Dissolution Act"), and the Constitution and other applicable laws of the State of California (the "State").

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

The Palm Springs Community Redevelopment Agency (the "Predecessor Agency") has previously issued its Community Redevelopment Agency of the City of Palm Springs 2001 Housing Tax Allocation Bonds in the initial principal amount of \$5,805,000 (the "2001 Housing Bonds"), its Community Redevelopment Agency of the City of Palm Springs Merged Project No. 1 Tax Allocation Refunding Bonds, 2004 Series A in the initial principal amount of \$14,240,000 (the "2004A Bonds") and its Community Redevelopment Agency of the City of Palm Springs Merged Project No. 2 Tax Allocation Refunding Bonds, 2004 Series B in the initial principal amount of \$9,075,000 (the "2004B Bonds" and, together with the 2001 Housing Bonds and the 2004A Bonds, the "Prior Bonds"). Proceeds of the Bonds will be deposited into separate escrow funds with The Bank of New York Mellon Trust Company, N.A., the Escrow Bank, established pursuant to separate Escrow Agreements, each dated as of July 1, 2014 (collectively, the "Escrow Agreements"), by and between the Successor Agency and the Escrow Bank, relating to the 2001 Housing Bonds, 2004A Bonds and the 2004B Bonds, respectively, and used for the purposes of redeeming the related series of Prior Bonds.

2. Official Statement. The Successor Agency ratifies, confirms and approves the use by the Underwriter prior to the date hereof of the Preliminary Official Statement relating to the Bonds, dated \_\_\_\_\_, 2014 (which, together with all appendices thereto, is herein called the "Preliminary Official Statement"). The Successor Agency has previously deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12. The Successor Agency hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of the final Official Statement relating to the Bonds, dated the date hereof, with only such changes from the Preliminary Official Statement as shall have been approved by the Successor Agency and the Underwriter (the "Official Statement") in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and the Rules of the Municipal Securities Rulemaking Board. The Successor Agency hereby approves of the use and distribution by the Underwriter of the

Preliminary Official Statement and the Official Statement in connection with the offer and sale of the Bonds.

3. Delivery of the Bonds. At approximately 8:30 a.m., California time, on \_\_\_\_\_, 2014, or at such earlier or later time or date, as shall be agreed upon by the Successor Agency, and the Underwriter (such time and date herein referred to as the "Closing Date"), the Successor Agency shall deliver to the Underwriter the Bonds in book-entry form through the Trustee via the F.A.S.T. delivery book-entry system of The Depository Trust Company ("DTC"). The Underwriter, acting on its own behalf, shall accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by same day funds (such delivery and payment being herein referred to as the "Closing"). The Bonds shall be made available to the Underwriter not later than the second business day before the Closing Date for purposes of inspection and packaging. The Bonds shall be delivered as registered bonds in the name of Cede & Co., Inc.

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

(a) The Successor Agency is a public entity, duly organized and existing, and authorized to transact business and exercise powers, under and pursuant to the Constitution and laws of the State, including the Dissolution Act, and has the full legal right, power and authority (i) to enter into this Purchase Agreement, (ii) to issue, sell and deliver the Bonds to the Underwriter, acting on its own behalf, as provided herein, (iii) to adopt the Resolution, and (iv) to carry out and to consummate the transactions contemplated by this Purchase Agreement, the Indenture, the Escrow Agreement, the Continuing Disclosure Certificate relating to the Bonds (the "Continuing Disclosure Certificate"), and the Official Statement;

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

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

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

(e) By all necessary official action of the Successor Agency prior to or concurrently with the acceptance hereof, the Successor Agency has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Successor Agency of the obligations on its part contained in, the Indenture, the Escrow Agreements, the Bonds, the Continuing Disclosure Certificate and this Purchase Agreement, and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded;

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

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

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

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

(j) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending against the Successor Agency and notice of which has been served upon the Successor Agency, or to the best knowledge of the officer of the Successor Agency executing this Purchase Agreement threatened against the Successor Agency, affecting the existence of the Successor Agency or the titles of its members or officers, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the payment or collection of any amounts pledged or to be pledged to pay the principal of, redemption premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Escrow Agreements, the Continuing Disclosure Certificate or this Purchase Agreement or the consummation of the transactions contemplated thereby and hereby, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the power or authority of the Successor Agency to issue the

Bonds, to adopt the Resolution approving the Indenture or to execute and deliver the Indenture, the Escrow Agreements, the Continuing Disclosure Certificate, or this Purchase Agreement, nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the Successor Agency's performance under the Bonds, the Indenture, the Escrow Agreements, the Continuing Disclosure Certificate, or this Purchase Agreement, or the validity or enforceability of the Bonds, the Indenture, the Escrow Agreements, the Continuing Disclosure Certificate, or this Purchase Agreement;

(k) The Successor Agency will, pursuant to the Continuing Disclosure Certificates, agree to provide or cause to be provided to the MSRB's Electronic Municipal Market Access system ("EMMA") certain annual financial information and operating data and agree to provide, or cause to be provided, to EMMA in a timely manner notice of certain material events respecting the Bonds. These agreements have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5). The Successor Agency has not failed within the past five (5) years to comply in all material respects with any previous undertakings with regard to said Rule 15c2-12 to provide annual reports or notices of material events.

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

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

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

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

(p) The Successor Agency shall provide to the Underwriter, not later than seven (7) business days after the date of this Purchase Agreement, but in any event in sufficient time to accompany any confirmation sent by the Underwriter to a purchaser of the Bonds, not more than 50 copies of the Official Statement to satisfy the Underwriter's obligation under Rule 15c2-12 with respect to the distribution of the Official Statement.

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

6. Covenants Regarding Official Statement. The Successor Agency covenants with the Underwriter that so long as the Underwriter, or dealers, if any, are participating in the distribution of the Bonds which constitute the whole or a part of their unsold participations, if an event known to the Successor Agency occurs affecting the Successor Agency, or the transactions contemplated by the Indenture and the issuance of the Bonds, which could cause the Official Statement to contain an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the Successor Agency shall notify the Underwriter and if in the opinion of the Successor Agency, the Underwriter or Bond



Counsel, such event requires an amendment or supplement to the Official Statement, the Successor Agency will amend or supplement the Official Statement in a form and in a manner jointly approved by the Successor Agency and the Underwriter, and the Successor Agency will bear the cost of making and printing such amendment or supplement to the Official Statement and distributing such amendment or supplement to Owners of the Bonds. The obligations of the Successor Agency under this Section 6 shall terminate on the earlier of (a) ninety (90) days from the "end of the underwriting period," as defined in Rule 15c2-12, or (b) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than twenty-five (25) days following the end of the underwriting period. Unless otherwise notified by the Underwriter in writing not later than thirty (30) days after the Closing Date, the Successor Agency may assume that the end of the underwriting period is the Closing Date.

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

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

(b) At the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter;

(c) In the reasonable judgment of the Underwriter, none of the following events shall occur:

(1) the market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall be materially adversely affected by any of the following events: (i) legislation shall have been enacted by the Congress of the United States or the legislature of the State or shall have been favorably reported out of committee of either body or be pending in committee of either body, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision shall have been rendered by a court of the United States or the State or the Tax Court of the United States, or a ruling, resolution, regulation or temporary regulation, release or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or state authority with appropriate jurisdiction, with respect to federal or state taxation upon interest received on obligations of the general character of the Bonds; provided that, this paragraph (c)(1) shall not apply if the Bonds are being issued as taxable Bonds; or (ii) there shall have occurred (1) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war, (2) any other calamity or crisis in the financial markets of the United States or elsewhere, (3) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations, or (4) a default with respect to the debt obligations of, or the institution of

proceedings under any federal bankruptcy laws by or against, any state of the United States or any city, county or other political subdivision located in the United States having a population of over 500,000; or (iii) a general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction; or (iv) legislation shall have been enacted by the Congress of the United States or shall have been favorably reported out of committee or be pending in committee, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that any obligations of the general character of the Bonds, the Indenture or the Resolution, or any comparable securities of the Successor Agency, are not exempt from the registration, qualification or other requirements of the Securities Act or the Trust Indenture Act or otherwise, or would be in violation of any provision of the federal securities laws; or (v) except as disclosed in or contemplated by the Official Statement, any material adverse change in the affairs of the Successor Agency shall have occurred; or (vi) any rating on: the bonds of the Successor Agency is reduced or withdrawn or placed on credit watch with negative outlook by any major credit rating agency; or

(2) any event or circumstance shall exist that either makes untrue or incorrect in any material respect any statement or information in the Official Statement (other than any statement provided by the Underwriters) or is not reflected in the Official Statement but should be reflected therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in either such event, the Successor Agency refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds; or

(3) a general banking moratorium shall have been declared by federal or State authorities having jurisdiction and be in force; or

(4) a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(5) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order; or

(6) a decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Purchase Agreement or by the Official

Statement, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange Act and the Trust Indenture Act.

(d) At or prior to the Closing, the Underwriter shall receive the following:

(1) The unqualified approving opinion of Jones, Hall, A Professional Law Corporation, San Francisco, California Bond Counsel, in form and substance acceptable to the Underwriter, addressed to the Successor Agency, dated the date of the Closing, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the foregoing opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it;

(2) A supplemental opinion of Bond Counsel, addressed to the Underwriter, in form and substance acceptable to each of them, dated the date of Closing, to the following effect:

(i) This Purchase Agreement, the Escrow Agreements and the Continuing Disclosure Certificate have been duly executed and delivered by the Successor Agency and (assuming due authorization, execution and delivery by, and validity against, the other party thereto, if any) are valid and binding agreements of the Successor Agency. We call attention to the fact that the rights and obligations under this Purchase Agreement, the Escrow Agreements and the Continuing Disclosure Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against entities formed pursuant to Government Code Section 6500 and following in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained therein;

(ii) The statements and information contained or summarized in the Official Statement on the cover page and under the headings ["INTRODUCTION," "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "TAX MATTERS," "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" and "APPENDIX B – FORM OF BOND COUNSEL OPINION"] (but not including any statistical or financial information set forth under such headings, as to which no opinion need be expressed) insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture and the opinion of Bond Counsel concerning certain federal and state tax matters relating to the Bonds, are accurate in all material respects;

(iii) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

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

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

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

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

(iv) Except as described in the Official Statement, there is no litigation pending against the Successor Agency and notice of which has been served on the Successor Agency, or to the best of such counsel's knowledge after due inquiry, threatened against the Successor Agency, which: (a) challenges the right or title of any member or officer of the Successor Agency to hold his or her respective office or exercise or perform the powers and duties pertaining thereto; (b) challenges the validity or enforceability of the Bonds, the Indenture, the Escrow Agreements, the Continuing Disclosure Certificate, or the Purchase Agreement; (c) seeks to restrain or enjoin the issuance and sale of the Bonds, the adoption or effectiveness of the Resolution and Indenture, or the execution and delivery by the Successor Agency of, or the performance by the Successor Agency of its obligations under the Bonds, the Indenture, the Escrow Agreements, the Continuing Disclosure Certificate, or the Purchase Agreement; or (d) if determined adversely to the Successor Agency or its interests, would have a material and adverse effect upon the financial condition, assets, properties or operations of the Successor Agency;

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

(vi) based on the information made available to counsel to the Successor Agency, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to its attention which would lead it to believe that the Official Statement as of its date and as of the date of Closing (excluding therefrom the financial and statistical data and forecasts included therein, as to which no opinion is expressed and information

relating to DTC and its book entry system) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

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

(5) A certificate of the Trustee dated the date of the Closing, to the effect that: (i) the Trustee is organized and existing as a national banking association under and by virtue of the laws of the United States of America, having full power and being qualified and duly authorized to perform the duties and obligations of the Trustee and Escrow Bank under and pursuant to the Indenture and the Escrow Agreements (together, the "Trustee Documents"); (ii) the Trustee has agreed to perform the duties and obligations of the Trustee as set forth in the Trustee Documents; (iii) to the best of its knowledge, compliance with the provisions on the Trustee's part contained in the Trustee Documents will not conflict with or constitute a breach of or default under the Articles of Incorporation or Bylaws of the Trustee or any material law, administrative regulation, judgment, decree, loan agreement, indenture, resolution, bond, note, agreement or other instrument to which the Trustee is a party or is otherwise subject, as a result of which the Trustee's ability to perform its obligations under the Trustee Documents would be impaired, nor will any such compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the Trustee Documents under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, agreement or other instrument, except as provided by the Trustee Documents; and (iv) the Trustee has not been served in any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending nor, to the best of the knowledge of the Trustee, is any such action, suit, proceeding, inquiry or investigation threatened against the Trustee, affecting the existence of the Trustee, or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the delivery of the Bonds issued under the Indenture or the collection of revenues pledged or to be pledged to pay the principal of, premium, if any, and interest on the Bonds issued under the Indenture, or the pledge thereof, or in any way contesting the powers of the Trustee or its authority to enter into or perform its obligations under the Trustee Documents, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Trustee Documents;

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

(7) An opinion of counsel to the Underwriter, addressed to the Underwriter, in form and substance acceptable to the Underwriter;

(8) A copy of this Purchase Agreement duly executed and delivered by the parties thereto;

(9) A copy of the Official Statement, executed on behalf of the Successor Agency by the Executive Director or such other appropriate officer of the Successor Agency;

(10) Copies of the Indenture, the Escrow Agreements, the Continuing Disclosure Certificate, each duly executed and delivered by the parties thereto;

(11) Certified copies of all resolutions of the Successor Agency and the Oversight Board relating to the issuance of the Bonds (including without limitation the Resolution and the Oversight Board Resolution);

(12) An opinion of Fulbright & Jaworski LLP, Disclosure Counsel to the Successor Agency dated the date of Closing and addressed to the Successor Agency, the Underwriter and the Financial Advisor;

(13) An executed report and certificates of \_\_\_\_\_, in form and substance acceptable to the Underwriter;

(14) [A Verification Report issued by \_\_\_\_\_ regarding the sufficiency of the securities and cash on deposit in the respective Escrow Funds, to pay the redemption prices of the Prior Bonds;]

(15) The tax and nonarbitrage certificate by the Successor Agency in form and substance to the reasonable satisfaction of Bond Counsel and the Underwriter;

(16) The preliminary and final Statement of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the California Government Code and Section 8855(g) of the Government Code;

(17) Evidence that the Bonds have been rated “\_\_” by Standard & Poor’s; and

(18) A certificate, dated the date of the Preliminary Official Statement, of the Successor Agency, as required under Rule 15c2-12;

(19) A certificate, dated the date of the Official Statement, of Harrell & Company Advisors, LLC regarding the Official Statement in form and substance acceptable to the Underwriter;

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

The Successor Agency will furnish the Underwriter with such conformed copies of such opinions, certificates, letters and documents as the Underwriter may reasonably request. If the Successor Agency is unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter or the Successor Agency shall have any further obligations hereunder. However, the Underwriter may in its discretion waive one or more of the conditions imposed by this Purchase Agreement for the protection of the Underwriter and proceed with the related Closing.

If this Purchase Agreement shall be terminated pursuant to this Section, including but not limited to paragraphs (b) and (c), or if the purchase provided for herein is not consummated because any condition to the Underwriter’s obligation hereunder is not satisfied or because of any refusal, inability or failure on the part of the Successor Agency to comply with any of the terms or to fulfill any of the

conditions of this Purchase Agreement, or if for any reason the Successor Agency shall be unable to perform all of their respective obligations under this Purchase Agreement, the Successor Agency shall not be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Purchase Agreement.

8. Expenses. Whether or not the transactions contemplated by this Purchase Agreement are consummated, the Underwriter shall be under no obligation to pay, and the Successor Agency shall pay only from the proceeds of the Bonds, but only as the Successor Agency and such other party providing such services may agree, all expenses and costs of the Successor Agency incident to the performance of their obligations in connection with the authorization, issuance, sale and delivery of the Bonds to the Underwriter, including, without limitation, printing costs, rating agency fees and charges, initial fees of the Trustee and Escrow Bank, including fees and disbursements of its counsel, if any, fees and disbursements of Bond Counsel, Disclosure Counsel and other professional advisors employed by the Successor Agency, costs of preparation, printing, signing, transportation, delivery and safekeeping of the Bonds and for expenses (included in the expense component of the spread) incurred by the Underwriter. The Underwriter shall pay all out-of-pocket expenses of the Underwriter, including, without limitation, the fees and expenses of its counsel, advertising expenses, the California Debt and Investment Advisory Commission fee, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds.

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

Stifel, Nicolaus & Company, Incorporated  
One Montgomery Street, 37<sup>th</sup> Floor  
San Francisco, California 94104  
Attention: Sara Brown, Managing Director

10. Parties in Interest. This Purchase Agreement is made solely for the benefit of the signatories hereto (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof except as provided in Section 10 hereof. All representations in this Purchase Agreement shall remain operative and in full force and effect, regardless of (a) delivery of and payment for any of the Bonds and (b) any termination of this Purchase Agreement.

11. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank]



12. Governing Law. This Purchase Agreement shall be governed by the laws of the State of California.

STIFEL NICOLAUS & COMPANY, INCORPORATED

By: \_\_\_\_\_  
Managing Director

Accepted:

SUCCESSOR AGENCY TO THE  
PALM SPRING COMMUNITY  
REDEVELOPMENT AGENCY

APPROVED AS TO FORM

By: \_\_\_\_\_  
Executive Director  
Time of Execution: \_\_\_\_\_

\_\_\_\_\_  
Counsel to the Successor Agency

**APPENDIX A**

**\$ \_\_\_\_\_  
SUCCESSOR AGENCY TO THE  
PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY  
2014 Subordinate Tax Allocation Bonds**

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>
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