

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Series C 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. Interest on the Series D Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series C Bonds and Series D Bonds, is exempt from State of California personal income taxes. See "OTHER INFORMATION – Tax Matters".

\$89,205,000

**Riverside Public Financing Authority
2007 Series C Tax Allocation Revenue Bonds
(University Corridor/Sycamore Canyon Merged
Redevelopment Project, Arlington Redevelopment
Project, Hunter Park/Northside Redevelopment
Project, Magnolia Center Redevelopment Project and
La Sierra/Arlanza Redevelopment Project)
(Tax-Exempt)**

\$43,875,000

**Riverside Public Financing Authority
2007 Series D Tax Allocation Revenue Bonds
(University Corridor/Sycamore Canyon Merged
Redevelopment Project, Arlington Redevelopment
Project, Hunter Park/Northside Redevelopment
Project, Magnolia Center Redevelopment Project and
La Sierra/Arlanza Redevelopment Project)
(Taxable)**

Dated: Date of Delivery

Due: August 1, as shown below

The captioned bonds (the "Series C Bonds" and the "Series D Bonds", and together, the "Bonds") are being issued by the Riverside Public Financing Authority (the "Authority") to provide funds to purchase 10 separate bond issues (the "Agency Bonds") being issued by the Redevelopment Agency of the City of Riverside (the "Agency") to assist in financing and refinancing certain redevelopment activities with respect to five separate redevelopment project areas of the Agency (each, a "Project Area" and, together, the "Project Areas"), as further described in this Official Statement.

The Bonds will be secured under an Indenture of Trust (the "Indenture"), dated as of April 1, 2007, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are secured by a pledge of, security interest in and lien on the Revenues (as defined in the Indenture), which consist principally of payments to be made by the Agency to the Authority as debt service on the Agency Bonds. The Agency Bonds are secured under five separate Indentures of Trust, each of which relates to a single Project Area, each dated as of April 1, 2007, and each by and between the Agency and the Trustee (the "Agency Bonds Indentures"). The payments due under the Agency Bonds Indentures are separately secured by a pledge of, security interest in and lien on Tax Revenues (as defined in the Agency Bonds Indentures and described in this Official Statement) allocated to the Agency with respect to the individual Project Areas and are secured on parity with certain outstanding and possible future debt, as described in this Official Statement. The Tax Revenues from each Project Area secure only the related Agency Bonds and not any other series of Agency Bonds. See "SECURITY FOR THE BONDS AND THE AGENCY BONDS".

The Bonds are being issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of \$5,000 or any integral multiple of \$5,000. Purchasers of interests in the Bonds will not receive certificates from the Authority or the Trustee representing their interest in the Bonds purchased. Interest on the Bonds will be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2007. Payments of principal, premium, if any, and interest on the Bonds will be payable by the Trustee, to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described in this Official Statement.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See "THE BONDS — Redemption of the Bonds".

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.



The Bonds are a special obligation of the Authority payable solely from certain payments from the Agency and certain other funds. Neither the City of Riverside, the State of California nor the Authority shall be obligated to pay the principal of the Bonds, or the interest thereon, except from the funds described above, and neither the faith and the credit nor the taxing power of the Agency, the City, the State of California nor any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the Agency, the City, the State of California or any political subdivision thereof to levy or pledge any form of taxation whatever therefor or to make any appropriations for their payment. Neither the Authority nor the Agency has taxing power.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used and not defined on this cover page shall have the meanings set forth in this Official Statement.

For a discussion of some of the risks associated with a purchase of the Bonds, see "BOND OWNERS' RISKS".

MATURITY SCHEDULE

See inside front cover

The Bonds are offered when, as and if issued, subject to the approval of their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain matters will be passed upon for the Authority and the Agency by the City Attorney. Jones Hall, A Professional Law Corporation, San Francisco, California is serving as counsel to the Underwriter. It is anticipated that the Bonds will be available for delivery in definitive form on or about April 10, 2007.

STONE & YOUNGBERG LLC

MATURITY SCHEDULES

(Base CUSIP†: 769044)

2007 SERIES C TAX ALLOCATION REVENUE BONDS (TAX-EXEMPT)

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
2008	\$50,000	4.000%	3.480%	100.655	CD8
2009	50,000	4.000	3.530	101.029	CE6
2010	430,000	4.000	3.550	101.388	CF3
2011	505,000	3.500	3.580	99.679	CG1
2012	520,000	4.000	3.630	101.767	CH9
2013	540,000	4.000	3.680	101.782	CJ5
2014	560,000	4.000	3.730	101.708	CK2
2015	590,000	4.000	3.780	101.551	CL0
2016	605,000	5.000	3.840	109.001	CM8
2017	1,470,000	5.000	3.900	109.258	CN6
2018	1,835,000	5.000	3.960	108.726 ^(C)	CP1
2019	1,930,000	5.000	4.010	108.286 ^(C)	CQ9
2020	2,030,000	5.000	4.060	107.847 ^(C)	CR7
2021	2,125,000	5.000	4.100	107.498 ^(C)	CS5
2022	2,230,000	5.000	4.130	107.237 ^(C)	CT3
2023	2,340,000	5.000	4.150	107.064 ^(C)	CU0
2024	2,455,000	5.000	4.170	106.890 ^(C)	CV8
2025	3,210,000	5.000	4.190	106.718 ^(C)	CW6

\$17,955,000 4.500% Series C Term Bonds due August 1, 2030; Price: 99.564 to Yield: 4.530% CUSIP†: DA3
\$47,775,000 5.000% Series C Term Bonds due August 1, 2037; Price: 105.858 to Yield: 4.290%^(C) CUSIP†: DB1

(C) Priced to par call date of August 1, 2017.

2007 SERIES D TAX ALLOCATION REVENUE BONDS (TAXABLE)

\$15,740,000 5.240% Series D Term Bonds due August 1, 2017; Price: 100.00 to Yield: 5.240% CUSIP†: DM7
\$28,135,000 5.890% Series D Term Bonds due August 1, 2032; Price: 100.00 to Yield: 5.890% CUSIP†: EC8

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RIVERSIDE PUBLIC FINANCING AUTHORITY
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE

BOARD OF DIRECTORS

Ronald O. Loveridge, *Mayor*
Dom Betro, *Ward 1*
Andy Melendrez, *Ward 2*
Art Gage, *Ward 3*
Frank Schiavone, *Ward 4*
Ed Adkison, *Ward 5*
Nancy Hart, *Ward 6*
Steve Adams, *Ward 7*

AGENCY STAFF

Bradley J. Hudson, *Executive Director*
Michael J. Beck, *Assistant Executive Director*
Paul C. Sundeen, *Treasurer*
Colleen J. Nichol, *Secretary*
Gregory P. Priamos, *Agency Counsel*
Belinda J. Graham, *Development Director*
Conrad Guzkowski, *Redevelopment Program Manager*

SPECIAL SERVICES

Trustee

U.S. Bank National Association
Los Angeles, California

Bond Counsel

Best Best & Krieger LLP
Riverside, California

Fiscal Consultant

DHA Consulting
Long Beach, California

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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 in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not 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 Agency or the Authority in any press release and in any oral statement made with the approval of an authorized officer of the Agency, the Authority or any other entity described or referenced in this Official Statement, 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. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Agency or any other entity described or referenced in this Official Statement since the date of this Official Statement.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Agency or the Authority to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and if given or made, such other information or representation must not be relied upon as having been authorized by the Agency, the Authority 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 submitted the following statement 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. The information and expressions of opinions in this Official Statement 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 Agency, the Authority or any other entity described or referenced in this Official Statement since the date of this Official Statement. 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.

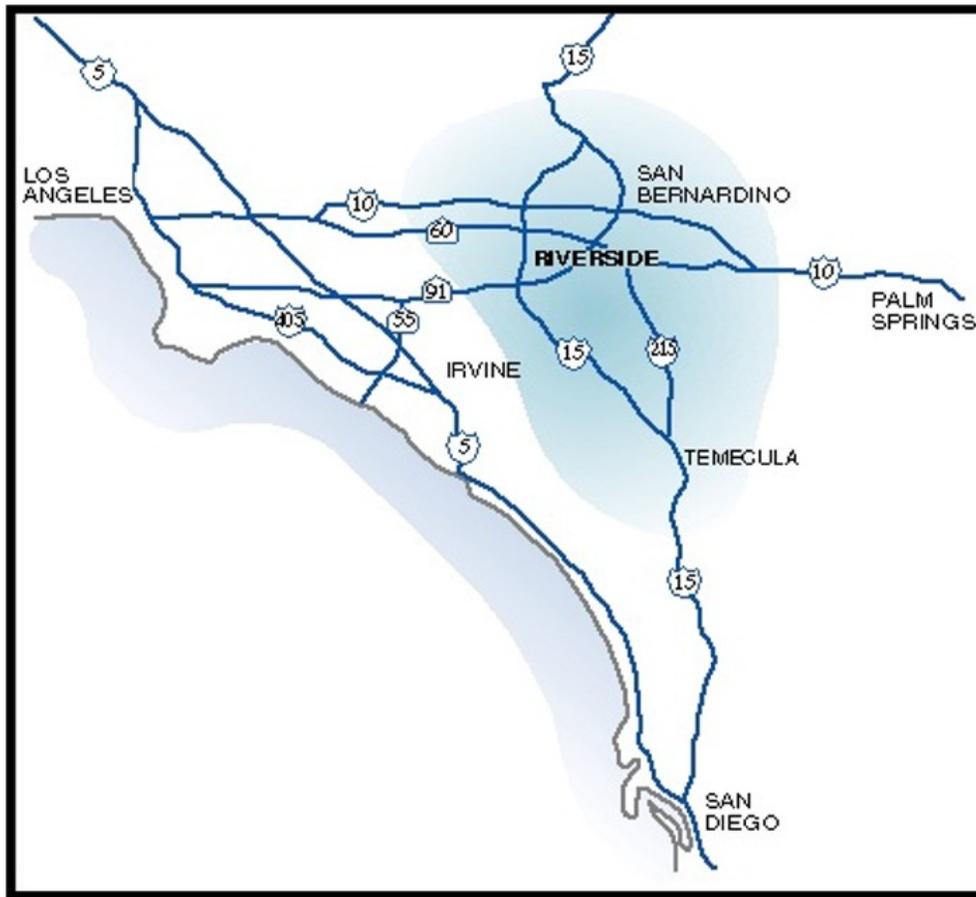
THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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City of Riverside Regional Location Map



\$89,205,000
Riverside Public Financing Authority
2007 Series C Tax Allocation Revenue Bonds
(University Corridor/Sycamore Canyon Merged
Redevelopment Project, Arlington Redevelopment
Project, Hunter Park/Northside Redevelopment
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\$43,875,000
Riverside Public Financing Authority
2007 Series D Tax Allocation Revenue Bonds
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Redevelopment Project, Arlington Redevelopment
Project, Hunter Park/Northside Redevelopment
Project, Magnolia Center Redevelopment Project and
La Sierra/Arlanza Redevelopment Project)
(Taxable)

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement.

General

This Official Statement, including the cover page and appendices to this Official Statement, provides information in connection with the issuance by the Riverside Public Financing Authority (the “**Authority**”) of the following bonds (collectively, the “**Bonds**”):

- Series C Bonds: 2007 Series C Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Tax-Exempt)
- Series D Bonds: 2007 Series D Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Taxable)

The City and the Agency

The City of Riverside (the “**City**”) was incorporated in 1883 and operates under a charter adopted in 1953. The City operates under a council-manager form of government, and is governed by a seven-member City Council elected by districts with four-year staggered terms. The Mayor is elected at large for a four-year term. The positions of City Clerk, City Manager and City Attorney are filled by appointments of the City Council. The City encompasses approximately 80.1 square miles in the western portion of Riverside County (the “**County**”), about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. The City is the county seat of the County. The current population of the City is approximately 287,820. For other selected information concerning the City, see “APPENDIX B - General Information Concerning the City of Riverside”.

The Redevelopment Agency of the City of Riverside (the “**Agency**”) was activated in 1969 pursuant to the Community Redevelopment Law, being Part 1 of Division 24 of the Health and Safety Code of the State of California (the “**Redevelopment Law**”). The seven members of the City Council also serve as members of the Agency and exercise all rights, power and duties and privileges of the Agency.

The Authority

The Authority was established pursuant to a Joint Exercise of Powers Agreement dated December 15, 1987, by and between the City and the Agency, pursuant to the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “**Act**”). The Authority was created for the purpose, among other things, of providing financing for public capital improvements for the Agency through the acquisition by the Authority of such public capital improvements, for the purpose of making loans to the Agency to finance such public capital improvements and for the purpose of purchasing local obligations issued by the Agency to finance public capital improvements, such as the Agency Bonds.

Purpose

The Bonds are being issued to provide funds to purchase 10 separate bond issues of the Agency (collectively, the “**Agency Bonds**”):

- 2007 Series A-1 Agency Bonds: University Corridor/Sycamore Canyon Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A-1.
- 2007 Series A-2 Agency Bonds: University Corridor/Sycamore Canyon Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A-2.
- 2007 Series D-1 Agency Bonds: Arlington Redevelopment Project Area 2007 Tax Allocation Bonds, Series D-1.
- 2007 Series D-2 Agency Bonds: Arlington Redevelopment Project Area 2007 Tax Allocation Bonds, Series D-2.
- 2007 Series E-1 Agency Bonds: Hunter Park/Northside Redevelopment Project Area 2007 Tax Allocation Bonds, Series E-1.

- 2007 Series E-2 Agency Bonds: Hunter Park/Northside Redevelopment Project Area 2007 Tax Allocation Bonds, Series E-2.
- 2007 Series F-1 Agency Bonds: Magnolia Center Redevelopment Project Area 2007 Tax Allocation Bonds, Series F-1.
- 2007 Series F-2 Agency Bonds: Magnolia Center Redevelopment Project Area 2007 Tax Allocation Bonds, Series F-2.
- 2007 Series G-1 Agency Bonds: La Sierra/Arlanza Redevelopment Project Area 2007 Tax Allocation Bonds, Series G-1.
- 2007 Series G-2 Agency Bonds: La Sierra/Arlanza Redevelopment Project Area 2007 Tax Allocation Bonds, Series G-2.

The Agency Bonds are being issued (i) to finance and refinance redevelopment activities with respect to the applicable Project Area, (ii) to pay the premium for a separate reserve account surety bond for each reserve account relating to the Agency Bonds (a separate reserve account is established under each Agency Bonds Indenture (as defined below)), and (iii) to pay the costs of issuing the Bonds and the Agency Bonds, including the financial guaranty insurance premium for the Bonds. See “PLAN OF FINANCE”.

Authority for Issuance of the Bonds and the Agency Bonds; Security for the Bonds

The Bonds. The Bonds are being issued by the Authority pursuant to the provisions of the Act and an Indenture of Trust, dated as of April 1, 2007 (the “**Indenture**”), by and between the Authority and U.S. Bank National Association, as trustee (the “**Trustee**”).

The Bonds are secured by a pledge of, security interest in and lien on the Revenues (as defined in “SECURITY FOR THE BONDS AND THE AGENCY BONDS” below), which consist principally of payments to be made by the Agency to the Authority as debt service on the Agency Bonds.

The Agency Bonds. The Agency Bonds are being issued by the Agency pursuant to the provisions of the Redevelopment Law and five separate Indentures of Trust, each relating to a separate Project Area, each dated as of April 1, 2007, and each by and between the Agency and the Trustee (the “**Agency Bonds Indentures**”).

The payments due under the Agency Bonds Indentures are separately secured by a pledge of, security interest in and lien on Tax Revenues (as defined in “SECURITY FOR THE BONDS AND THE AGENCY BONDS” below) allocated to the Agency with respect to the individual Project Areas (as defined in “The Project Areas” below) and are secured on parity with certain outstanding and possible future debt, as described in this Official Statement. The Tax Revenues from each Project Area secure only the related Agency Bonds and not any other series of Agency Bonds.

The Project Areas

The 10 series of Agency Bonds are being issued for the following project areas of the Agency (each, a "**Project Area**" and, together, the "**Project Areas**"):

- University Corridor/Sycamore Canyon Merged Redevelopment Project (the "**University Corridor/Sycamore Canyon Merged Redevelopment Project**")
- Arlington Redevelopment Project (the "**Arlington Redevelopment Project**"),
- Hunter Park/Northside Redevelopment Project (the "**Hunter Park/Northside Redevelopment Project**"),
- La Sierra/Arlanza Redevelopment Project (the "**La Sierra/Arlanza Redevelopment Project**"), and
- Magnolia Center Redevelopment Project (the "**Magnolia Center Redevelopment Project**").

The Project Areas are more particularly described under the caption "THE PROJECT AREAS" and individual sections relating to each of the Project Areas.

The Agency has three other project areas – the Downtown/Airport Merged Redevelopment Project, the Casa Blanca Redevelopment Project and the Eastside Redevelopment Project. None of the proceeds of the Bonds will be used to acquire bonds issued for either of these three project areas. However, the Authority will issue, concurrently with the issuance of the Bonds, its \$8,340,000 2007 Series A Tax Allocation Revenue Bonds (Downtown/Airport Merged Redevelopment Project and Casa Blanca Redevelopment Project) (Tax-Exempt) and its \$14,850,000 2007 Series B Tax Allocation Revenue Bonds (Downtown/Airport Merged Redevelopment Project and Casa Blanca Redevelopment Project) (Taxable) (the "**2007 Series A and B Bonds**"), the proceeds of which will be used to acquire bonds issued by the Agency with respect to the Downtown/Airport Merged Redevelopment Project and the Casa Blanca Redevelopment Project. **None of the revenues securing the Bonds secure the 2007 Series A and B Bonds, and none of the revenues securing the 2007 Series A and B Bonds secure the Bonds.**

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies within the project area (the "**Taxing Agencies**") thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (the "**Tax Increment**") are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. The Tax Increment, however, may be subject to a number of claims and reductions which are prior to the pledge of the repayment of redevelopment agency indebtedness, including, among others, pass-through agreements with the Taxing Agencies and administrative charges by the County, as further described in this Official Statement. Redevelopment agencies themselves have no

authority to levy property taxes and must look specifically to the allocation of taxes produced as described above.

As more fully described under “SECURITY FOR THE BONDS AND THE AGENCY BONDS,” the Redevelopment Law requires the Agency to apply 20% of the Tax Increment (referred to in this Official Statement as the “**Housing Tax Revenues**”) for the purpose of increasing, improving and preserving the supply of low and moderate income housing in the City. **The Agency Bonds are not secured by Housing Tax Revenues.**

The Agency is subject to certain negotiated (University Corridor/Sycamore Canyon Merged Redevelopment Project only) and statutory pass-through obligations (all of the Project Areas) to taxing entities within the County of Riverside. See “THE PROJECT AREAS – Tax Sharing Obligations” and the sub-section entitled “Tax Sharing Obligations” in each of the sections below describing the Project Areas for more information about these obligations. The Agency’s payment obligations under certain negotiated pass-through agreements in the University Corridor/Sycamore Canyon Merged Redevelopment Project only are senior to debt service on the related Agency Bonds and its outstanding Parity Debt. The Agency’s statutory pass-through obligations are subordinate to debt service on the Agency Bonds and its outstanding Parity Debt.

Any future decrease in the assessed valuation of a Project Area or the applicable tax rates or tax collection rates in a Project Area, or a general decline in the economic condition of a Project Area, or a change in law reducing Tax Increment received by the Agency from a Project Area, may have a material, adverse impact on the Tax Revenues allocated to the Agency with respect to a Project Area and the ability of the Agency to pay debt service on the Agency Bonds issued with respect to such Project Area. See “BOND OWNERS’ RISKS” and “LIMITATIONS ON TAX REVENUES “ below.

Parity Obligations

Additional Authority Obligations. The Authority may not issue or incur any further obligations payable from Revenues.

Additional Agency Obligations. As more fully described under “SECURITY FOR THE BONDS AND THE AGENCY BONDS,” the Agency may issue or incur additional obligations with respect to a Project Area on a parity with the pledge of the Tax Revenues securing the applicable Agency Bonds if certain debt service coverage tests are met under the applicable Agency Bonds Indenture.

Outstanding Parity Debt. As more fully described under “SECURITY FOR THE BONDS AND THE AGENCY BONDS – Summary Table of Lien Status and Bonded Indebtedness,” the Agency has certain outstanding obligations secured by Tax Revenues allocated to each of the respective Project Areas. See “SECURITY FOR THE BONDS AND THE AGENCY BONDS – Summary of Parity Debt of Project Areas” below.

Other Debt. The Agency has outstanding subordinate debt and debt secured by Housing Tax Revenues, which is not described in this Official Statement.

Bond Insurance

Payment of the principal of and interest on the Bonds when due will be guaranteed by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Bonds by MBIA Insurance Corporation (the “**Insurer**” or “**MBIA**”). See “MUNICIPAL BOND INSURANCE” below.

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will act as trustee with respect to the Bonds and the Agency Bonds.

DHA Consulting, Long Beach, California, has acted as Fiscal Consultant to the Agency and has prepared an analysis of taxable values and tax increment revenues in the Project Areas. See “APPENDIX A – FISCAL CONSULTANT REPORT”.

All proceedings in connection with the issuance of the Bonds and the Agency Bonds are subject to the approval of Best Best & Krieger LLP, Riverside, California, Bond Counsel. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as Underwriter's Counsel to Stone & Youngberg LLC. Certain legal matters will be passed on for the Agency by the City Attorney.

Payment of the fees and expenses of Bond Counsel and Underwriter's Counsel is contingent upon the sale and delivery of the Bonds.

Continuing Disclosure

The Agency will undertake all responsibilities for continuing disclosure to Owners of the Bonds as described below, and the Authority will have no obligation to the Owners or any other person with respect to such disclosure. The Agency has covenanted in a Continuing Disclosure Certificate to prepare and deliver an annual report to certain national and state repositories, and to provide certain other information. See the caption “OTHER INFORMATION – Continuing Disclosure” and “APPENDIX G - FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Reference to Underlying Documents

Brief descriptions of the Bonds, the Indentures, the Agency Bonds Indentures, the Agency, the Authority, the City, the Project Areas and other related information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of and references to all documents, statutes, reports and other instruments referred to in this Official Statement are qualified in its entirety by reference to such document, statute, report or instrument, copies of which are all available for inspection at the offices of the Agency. Certain capitalized terms used and not defined in this Official Statement shall have the meaning given to those terms in APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS” attached to this Official Statement.

PLAN OF FINANCE

General

The Bonds are being issued by the Authority to provide funds to purchase the 10 series of Agency Bonds.

The Agency Bonds are being issued (i) to finance or refinance redevelopment activities with respect to the applicable Project Areas, (ii) to pay the premium for a separate reserve account surety bond for each reserve account relating to the Agency Bonds (a separate reserve account is established under each Agency Bonds Indenture (as defined below)), and (iii) to pay the costs of issuing the Bonds and the Agency Bonds, including the cost of bond insurance premiums for the Bonds.

Use of Net Agency Bond Proceeds

The net proceeds of each series of the Bonds will be deposited in the Redevelopment Fund established for the related Project Area and held by the Trustee. It is expected that these net proceeds will be used to finance all or a portion of the costs of the following projects, as well as other projects within or of benefit to the applicable Project Area. The interest on the Series D Bonds is not exempt from federal income taxation because the Agency expects to use the proceeds of the Series D Bonds in a manner that would result in interest on the Series D Bonds being subject to federal income taxation.

University Corridor/Sycamore Canyon Merged Redevelopment Project.

A variety of infrastructure projects (on which the Agency currently expects to spend approximately \$9.9 million of 2007 Series A-1 Agency Bond proceeds) and property acquisitions (on which the Agency currently expects to spend approximately \$15 million of 2007 Series A-2 Agency Bond proceeds).

Arlington Redevelopment Project.

A variety of infrastructure projects (on which the Agency currently expects to spend approximately \$12.1 million of 2007 Series D-1 Agency Bond proceeds) and property acquisitions (on which the Agency currently expects to spend approximately \$7 million of 2007 Series D-2 Agency Bond proceeds).

Hunter Park/Northside Redevelopment Project.

A variety of infrastructure and park projects (on which the Agency currently expects to spend approximately \$24.1 million of 2007 Series E-1 Agency Bond proceeds) and property acquisitions (on which the Agency currently expects to spend approximately \$800,000 of 2007 Series E-2 Agency Bond proceeds).

La Sierra/Arlanza Redevelopment Project.

A variety of infrastructure and park projects (on which the Agency currently expects to spend approximately \$40.1 million of 2007 Series G-1 Agency Bond proceeds) and property acquisitions (on which the Agency currently expects to spend approximately \$8 million of 2007 Series G-2 Agency Bond proceeds).

Magnolia Center Redevelopment Project.

A variety of infrastructure projects (on which the Agency currently expects to spend approximately \$5.2 million of 2007 Series F-1 Agency Bond proceeds) and property acquisitions (on which the Agency currently expects to spend approximately \$12.1 million of 2007 Series F-2 Agency Bond proceeds).

The actual timing and scope of the foregoing projects are unknown and cannot be guaranteed. It is possible that one or more of the projects may not occur. The Agency may, consistent with the Redevelopment Law and its covenants set forth in the applicable Agency Bonds Indenture, substitute other projects for those which are described above. The projects are not security for the Bonds or the Agency Bonds.

Estimated Sources and Uses of Funds

Set forth below are the estimated sources and uses of proceeds of the Bonds.

<u>Sources:</u>	<u>Series C Bonds</u>	<u>Series D Bonds</u>
Par Amount of Bonds	\$89,205,000.00	\$43,875,000.00
Plus Net Original Issue Premium	<u>4,303,789.10</u>	<u>-</u>
Total Sources:	\$93,508,789.10	\$43,875,000.00
<u>Uses:</u>		
Purchase of Agency Bonds:		
University Corridor/Sycamore Canyon Merged Redev. Project	\$10,167,275.35	\$15,380,000.00
Arlington Redevelopment Project	12,398,165.70	7,140,000.00
Hunter Park/Northside Redevelopment Project	24,572,716.05	845,000.00
Magnolia Center Redevelopment Project	5,363,732.60	12,375,000.00
La Sierra/Arlanza Redevelopment Project	<u>41,006,899.40</u>	<u>8,135,000.00</u>
Total Uses:	\$93,508,789.10	\$43,875,000.00

Set forth below are the estimated sources and uses of proceeds of the Agency Bonds.

	University Corridor/Sycamore Canyon		Arlington		Hunter Park/Northside		Magnolia Center		La Sierra/Arlanza	
	<u>Merged Redevelopment Project</u>		<u>Redevelopment Project</u>		<u>Redevelopment Project</u>		<u>Redevelopment Project</u>		<u>Redevelopment Project</u>	
	Series A-1	Series A-2	Series D-1	Series D-2	Series E-1	Series E-2	Series F-1	Series F-2	Series G-1	Series G-2
<u>Sources:</u>										
Par Amount of Agency Bonds	\$9,620,000.00	\$15,380,000.00	\$11,910,000.00	\$7,140,000.00	\$23,500,000.00	\$845,000.00	\$5,070,000.00	\$12,375,000.00	\$39,105,000.00	\$8,135,000.00
Plus Net Original Issue Premium	<u>547,275.35</u>	-	<u>488,165.70</u>	-	<u>1,072,716.05</u>	-	<u>293,732.60</u>	-	<u>1,901,899.40</u>	-
Total Sources:	\$10,167,275.35	\$15,380,000.00	\$12,398,165.70	\$7,140,000.00	\$24,572,716.05	\$845,000.00	\$5,363,732.60	\$12,375,000.00	\$41,006,899.40	\$8,135,000.00
<u>Uses:</u>										
Costs of Issuance (1)	\$242,484.26	\$380,000.00	\$296,075.60	\$140,000.00	\$518,619.36	\$15,203.00	\$130,978.55	\$275,000.00	\$902,953.36	\$135,000.00
Deposit to Redevelopment Fund	<u>9,924,791.09</u>	<u>15,000,000.00</u>	<u>12,102,090.10</u>	<u>7,000,000.00</u>	<u>24,054,096.69</u>	<u>829,797.00</u>	<u>5,232,754.05</u>	<u>12,100,000.00</u>	<u>40,103,946.04</u>	<u>8,000,000.00</u>
Total Uses:	\$10,167,275.35	\$15,380,000.00	\$12,398,165.70	\$7,140,000.00	\$24,572,716.05	\$845,000.00	\$5,363,732.60	\$12,375,000.00	\$41,006,899.40	\$8,135,000.00

(1) Includes Underwriter's Discount, legal fees, printing, rating agency fees and expenses, fees of the Fiscal Consultant, financial guaranty insurance premiums, surety bond premiums and other costs of issuing the Bonds and the Agency Bonds.

Annual Debt Service Requirements of the Bonds

The following table provides the annual debt service requirements of the Series C Bonds.

Year (Ending August 1)	Series C Bonds Principal	Series C Bonds Interest	Series C Bonds Total
2007	\$ --	\$1,336,779.17	\$1,336,779.17
2008	50,000	4,335,500.00	4,385,500.00
2009	50,000	4,333,500.00	4,383,500.00
2010	430,000	4,331,500.00	4,761,500.00
2011	505,000	4,314,300.00	4,819,300.00
2012	520,000	4,296,625.00	4,816,625.00
2013	540,000	4,275,825.00	4,815,825.00
2014	560,000	4,254,225.00	4,814,225.00
2015	590,000	4,231,825.00	4,821,825.00
2016	605,000	4,208,225.00	4,813,225.00
2017	1,470,000	4,177,975.00	5,647,975.00
2018	1,835,000	4,104,475.00	5,939,475.00
2019	1,930,000	4,012,725.00	5,942,725.00
2020	2,030,000	3,916,225.00	5,946,225.00
2021	2,125,000	3,814,725.00	5,939,725.00
2022	2,230,000	3,708,475.00	5,938,475.00
2023	2,340,000	3,596,975.00	5,936,975.00
2024	2,455,000	3,479,975.00	5,934,975.00
2025	3,210,000	3,357,225.00	6,567,225.00
2026	2,980,000	3,196,725.00	6,176,725.00
2027	3,525,000	3,062,625.00	6,587,625.00
2028	3,605,000	2,904,000.00	6,509,000.00
2029	3,835,000	2,741,775.00	6,576,775.00
2030	4,010,000	2,569,200.00	6,579,200.00
2031	4,200,000	2,388,750.00	6,588,750.00
2032	4,275,000	2,178,750.00	6,453,750.00
2033	7,550,000	1,965,000.00	9,515,000.00
2034	7,980,000	1,587,500.00	9,567,500.00
2035	8,790,000	1,188,500.00	9,978,500.00
2036	8,265,000	749,000.00	9,014,000.00
2037	6,715,000	335,750.00	7,050,750.00
Total	\$89,205,000	\$98,954,654.17	\$188,159,654.17

The following table provides the annual debt service requirements of the Series D Bonds.

Year (Ending August 1)	Series D Bonds Principal	Series D Bonds Interest	Series D Bonds Total
2007	\$ --	\$ 765,260.97	\$ 765,260.97
2008	1,600,000	2,481,927.50	4,081,927.50
2009	1,680,000	2,398,087.50	4,078,087.50
2010	1,385,000	2,310,055.50	3,695,055.50
2011	1,400,000	2,237,481.50	3,637,481.50
2012	1,475,000	2,164,121.50	3,639,121.50
2013	1,550,000	2,086,831.50	3,636,831.50
2014	1,635,000	2,005,611.50	3,640,611.50
2015	1,720,000	1,919,937.50	3,639,937.50
2016	1,805,000	1,829,809.50	3,634,809.50
2017	1,490,000	1,735,227.50	3,225,227.50
2018	1,260,000	1,657,151.50	2,917,151.50
2019	1,325,000	1,582,937.50	2,907,937.50
2020	1,420,000	1,504,895.00	2,924,895.00
2021	1,440,000	1,421,257.00	2,861,257.00
2022	1,525,000	1,336,441.00	2,861,441.00
2023	1,615,000	1,246,618.50	2,861,618.50
2024	1,715,000	1,151,495.00	2,866,495.00
2025	1,080,000	1,050,481.50	2,130,481.50
2026	1,535,000	986,869.50	2,521,869.50
2027	1,220,000	896,458.00	2,116,458.00
2028	2,640,000	824,600.00	3,464,600.00
2029	2,795,000	669,104.00	3,464,104.00
2030	2,960,000	504,478.50	3,464,478.50
2031	2,720,000	330,134.50	3,050,134.50
2032	2,885,000	169,926.50	3,054,926.50
Total	\$43,875,000	\$37,267,199.97	\$81,142,199.97

The following table compares the debt service on the Bonds with the debt service on the Agency Bonds issued with respect to each of the five Project Areas and identifies the percentage of Revenues securing the Bonds generated by the Agency Bonds issued with respect to each of the five Project Areas.

Authority Bonds				Revenues									
Bond Year	Series C	Series D	Aggregate	UC/Syc.	UC/Syc.	Arlington	Arlington	HP/North	HP/North	Magnolia	Magnolia	LS/Arl	LS/Arl
	Bonds Debt Service	Bonds Debt Service	Authority Bonds Debt Service	A-1/A-2 Debt Service	% of Total Revenues	D-1/D-2 Debt Service	% of Total Revenues	E-1/E-2 Debt Service	% of Total Revenues	F-1/F-2 Debt Service	% of Total Revenues	G-1/G-2 Debt Service	% of Total Revenues
2007	\$1,336,779.17	\$765,260.97	\$2,102,040.14	\$425,107.49	20%	\$301,572.66	14%	\$359,101.34	17%	\$296,578.13	14%	\$719,680.52	34%
2008	4,385,500.00	4,081,927.50	8,467,427.50	1,438,727.00	17	1,228,073.50	15	1,554,653.00	18	1,206,875.00	14	3,039,099.00	36
2009	4,383,500.00	4,078,087.50	8,461,587.50	1,436,141.00	17	1,224,973.50	14	1,554,217.00	18	1,209,099.00	14	3,037,157.00	36
2010	4,761,500.00	3,695,055.50	8,456,555.50	1,423,555.00	17	1,231,349.50	15	1,552,733.00	18	1,205,537.00	14	3,043,381.00	36
2011	4,819,300.00	3,637,481.50	8,456,781.50	1,426,493.00	17	1,231,677.50	15	1,554,975.00	18	1,206,389.00	14	3,037,247.00	36
2012	4,816,625.00	3,639,121.50	8,455,746.50	1,424,481.00	17	1,231,219.50	15	1,554,225.00	18	1,206,542.00	14	3,039,279.00	36
2013	4,815,825.00	3,636,831.50	8,452,656.50	1,422,219.00	17	1,229,975.50	15	1,555,625.00	18	1,205,884.00	14	3,038,953.00	36
2014	4,814,225.00	3,640,611.50	8,454,836.50	1,419,957.00	17	1,232,945.50	15	1,556,225.00	18	1,204,440.00	14	3,041,269.00	36
2015	4,821,825.00	3,639,937.50	8,461,762.50	1,422,757.00	17	1,234,867.50	15	1,556,025.00	18	1,207,148.00	14	3,040,965.00	36
2016	4,813,225.00	3,634,809.50	8,448,034.50	1,415,357.00	17	1,230,741.50	15	1,555,025.00	18	1,208,870.00	14	3,038,041.00	36
2017	5,647,975.00	3,225,227.50	8,873,202.50	1,837,607.00	21	1,235,829.50	14	1,552,775.00	17	1,204,494.00	14	3,042,497.00	34
2018	5,939,475.00	2,917,151.50	8,856,626.50	1,832,599.00	21	1,229,607.50	14	1,554,275.00	18	1,204,320.00	14	3,035,825.00	34
2019	5,942,725.00	2,907,937.50	8,850,662.50	1,823,727.50	21	1,229,869.50	14	1,554,275.00	18	1,205,465.50	14	3,037,325.00	34
2020	5,946,225.00	2,924,895.00	8,871,120.00	1,838,678.00	21	1,233,659.00	14	1,552,775.00	18	1,205,183.00	14	3,040,825.00	34
2021	5,939,725.00	2,861,257.00	8,800,982.00	1,766,022.50	20	1,230,681.50	14	1,554,775.00	18	1,208,428.00	14	3,041,075.00	35
2022	5,938,475.00	2,861,441.00	8,799,916.00	1,770,678.50	20	1,231,231.50	14	1,555,025.00	18	1,204,906.00	14	3,038,075.00	35
2023	5,936,975.00	2,861,618.50	8,798,593.50	1,773,317.50	20	1,230,014.50	14	1,553,525.00	18	1,204,911.50	14	3,036,825.00	35
2024	5,934,975.00	2,866,495.00	8,801,470.00	1,768,939.50	20	1,232,030.50	14	1,555,275.00	18	1,208,150.00	14	3,037,075.00	35
2025	6,567,225.00	2,130,481.50	8,697,706.50	1,667,794.50	19	1,231,985.00	14	1,555,025.00	18	1,204,327.00	14	3,038,575.00	35
2026	6,176,725.00	2,521,869.50	8,698,594.50	1,660,522.50	19	1,235,485.00	14	1,552,775.00	18	1,208,737.00	14	3,041,075.00	35
2027	6,587,625.00	2,116,458.00	8,704,083.00	1,672,247.50	19	1,235,000.00	14	1,552,950.00	18	1,205,885.50	14	3,038,000.00	35
2028	6,509,000.00	3,464,600.00	9,973,600.00	2,931,322.00	29	1,238,500.00	12	1,556,325.00	16	1,205,903.00	12	3,041,550.00	30
2029	6,576,775.00	3,464,104.00	10,040,879.00	2,932,939.50	29	1,310,425.00	13	1,552,675.00	15	1,208,564.50	12	3,036,275.00	30
2030	6,579,200.00	3,464,478.50	10,043,678.50	2,932,783.50	29	1,307,625.00	13	1,552,225.00	15	1,208,645.00	12	3,042,400.00	30
2031	6,588,750.00	3,050,134.50	9,638,884.50	2,535,559.50	26	1,308,250.00	14	1,554,750.00	16	1,201,075.00	12	3,039,250.00	32
2032	6,453,750.00	3,054,926.50	9,508,676.50	2,534,416.50	27	1,177,500.00	12	1,554,500.00	16	1,206,010.00	13	3,036,250.00	32
2033	9,515,000.00	-	9,515,000.00	2,531,750.00	27	1,176,000.00	12	1,556,500.00	16	1,207,750.00	13	3,043,000.00	32
2034	9,567,500.00	-	9,567,500.00	2,591,000.00	27	1,177,500.00	12	1,555,500.00	16	1,204,750.00	13	3,038,750.00	32
2035	9,978,500.00	-	9,978,500.00	2,592,000.00	26	1,591,750.00	16	1,551,500.00	16	1,204,500.00	12	3,038,750.00	30
2036	9,014,000.00	-	9,014,000.00	1,622,250.00	18	1,593,000.00	18	1,554,500.00	17	1,206,750.00	13	3,037,500.00	34
2037	7,050,750.00	-	7,050,750.00	-	0	1,590,750.00	23	1,554,000.00	22	866,250.00	12	3,039,750.00	43
Total:	\$188,159,654.17	\$81,142,199.97	\$269,301,854.14	\$55,870,949.49		\$38,404,089.66		\$46,988,729.34		\$36,142,367.13		\$91,895,718.52	

See Appendix I for debt service schedules for each series of the Agency Bonds.

THE BONDS

General

The Bonds will be dated as of the date of original delivery (the “**Closing Date**”), will bear interest at the rates per annum and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form, without coupons, in the denomination of \$5,000 each or any integral multiple of \$5,000. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2007 (each an “**Interest Payment Date**”). Principal of and premium, if any, on the Bonds is payable upon the surrender of the Bonds at the corporate trust office of the Trustee in Los Angeles, California. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the registered owners as of the fifteenth day of the month preceding the Interest Payment Date (the “**Record Date**”). At the written request of an Owner of the Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, interest on the applicable Bonds shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such written request (any such written request shall remain in effect until rescinded in writing by the Owner). The principal of and premium (if any) on the Bonds shall be payable in lawful money of the United States of America by check or draft of the Trustee upon presentation and surrender of the Bonds at the Office of the Trustee.

Notwithstanding the foregoing, while the Bonds are held in the book-entry only system of DTC, all such payments of principal, interest and premium, if any, will be made to Cede & Co. as the registered owner of the Bonds, for subsequent disbursement to Participants and beneficial owners. See “APPENDIX E – DTC AND BOOK-ENTRY SYSTEM”.

Redemption of the Bonds

Optional Redemption- Series C Bonds. The Series C Bonds maturing on or before August 1, 2017, are not subject to optional redemption prior to maturity. The Series C Bonds maturing on and after August 1, 2018, are subject to redemption, at the option of the Authority or the Agency on any date on or after August 1, 2017, as a whole or in part, by such maturities as shall be determined by the Authority (based on the maturities of the corresponding Agency Bonds being redeemed), and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the corresponding Series C Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Optional Redemption- Series D Bonds. The Series D Bonds maturing on or before August 1, 2017, are not subject to optional redemption prior to maturity. The Series D Bonds maturing on and after August 1, 2018, are subject to redemption, at the option of the Authority or the Agency on any date on or after August 1, 2017, as a whole or in part, by such maturities as shall be determined by the Authority (based on the maturities of the corresponding Agency Bonds being redeemed), and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the corresponding Series D Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption- Series C Bonds. The Series C Term Bonds maturing on August 1, 2030 and August 1, 2037 are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date of redemption, without premium, in the aggregate respective principal amounts and on August 1, in the respective years as set forth in the following tables; provided, however, that in lieu of mandatory sinking fund redemption, the Series C Bonds may be purchased by the Agency pursuant to the Agency Bond Indentures:

Series C Term Bonds Maturing August 1, 2030

<u>Date</u> <u>(August 1)</u>	<u>Amount</u>
2026	\$2,980,000
2027	3,525,000
2028	3,605,000
2029	3,835,000
2030 (maturity)	4,010,000

Series C Term Bonds Maturing August 1, 2037

<u>Date</u> <u>(August 1)</u>	<u>Amount</u>
2031	\$4,200,000
2032	4,275,000
2033	7,550,000
2034	7,980,000
2035	8,790,000
2036	8,265,000
2037 (maturity)	6,715,000

Mandatory Sinking Fund Redemption- Series D Bonds. The Series D Term Bonds maturing on August 1, 2017 and August 1, 2032 are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date of redemption, without premium, in the aggregate respective principal amounts and on August 1, in the respective years as set forth in the following tables; provided, however, that in lieu of mandatory sinking fund redemption, the Series D Bonds may be purchased by the Agency pursuant to the Agency Bond Indentures:

Series D Term Bonds Maturing August 1, 2017

<u>Date</u> <u>(August 1)</u>	<u>Amount</u>
2008	\$1,600,000
2009	1,680,000
2010	1,385,000
2011	1,400,000
2012	1,475,000
2013	1,550,000
2014	1,635,000
2015	1,720,000
2016	1,805,000
2017 (maturity)	1,490,000

Series D Term Bonds Maturing August 1, 2032

<u>Date</u> <u>(August 1)</u>	<u>Amount</u>
2018	\$1,260,000
2019	1,325,000
2020	1,420,000
2021	1,440,000
2022	1,525,000
2023	1,615,000
2024	1,715,000
2025	1,080,000
2026	1,535,000
2027	1,220,000
2028	2,640,000
2029	2,795,000
2030	2,960,000
2031	2,720,000
2032 (maturity)	2,885,000

In lieu of redemption of the Term Bonds pursuant to the Indenture, proceeds of the purchase by the Agency of Agency Bonds or other available moneys shall be used by the Authority or by the Trustee, upon the Written Request of the Authority received prior to the selection of Bonds for redemption, for the purchase of the Term Bonds, at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Authority may in its discretion determine. The par amount of any Term Bonds so purchased by or upon the Written Request of the Authority in any twelve-month period ending on June 1 in any year shall be credited towards and shall reduce the par amount of the Term Bonds required to be redeemed on

August 1 in such year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said June 1.

Mandatory Redemption Upon Acceleration of Agency Bonds. The Bonds shall also be subject to mandatory redemption in whole or in part among maturities on a pro rata basis and by lot within a maturity, on any date, from amounts credited towards the payment of principal of any Agency Bonds coming due and payable solely by reason of acceleration of such Agency Bonds pursuant to the respective Agency Bonds Indentures, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, together with accrued interest thereon to the redemption date. The Bonds shall be subject to such redemption solely from amounts credited towards the payment of principal of any Agency Bonds which has become due and payable by reason of acceleration upon an Event of Default (as defined in the applicable Agency Bonds Indenture), and shall not be subject to redemption from any amounts credited towards the payment of matured principal which has become due and payable.

Notice of Redemption; Rescission

The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the Insurer and to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories (as defined under the Indentures) and to one or more Information Services (as defined under the Indentures), at least 30 but not more than 60 days prior to the date fixed for redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the 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.

The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Authority and the Trustee shall 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.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have

been duly provided, such Bonds so called shall cease to be entitled to any benefit under the related Indenture, other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed or purchased pursuant to such Indenture shall be canceled by the Trustee.

SECURITY FOR THE BONDS AND THE AGENCY BONDS

Security for the Authority Bonds

Pursuant to the Indenture, the Revenues (as defined in the following sentence) are pledged to the payment of the debt service on the Bonds. The Indenture defines “**Revenues**” to mean (a) all amounts payable by the Agency to the Authority or the Trustee pursuant to the Agency Bonds, *other than* (i) administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee and (ii) arbitrage rebate amounts payable to the United States of America; (b) any proceeds of Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee; (c) investment income with respect to any moneys held by the Trustee; and (d) any other investment income received under the Indenture.

The Bonds are special obligations of the Authority payable solely from the Revenues and from certain amounts held in the funds and accounts established by the Indenture. Neither the City, the State of California nor the Authority shall be obligated to pay the principal of the Bonds, or the interest thereon, except from the funds described above, and neither the faith and the credit nor the taxing power of the Agency, the City, the State of California nor any other political subdivision is pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the Agency, the City, the State of California or any other political subdivision to levy or pledge any form of taxation whatever therefor or to make any appropriation for their payment. Neither the Authority nor the Agency has taxing power.

Security for the Agency Bonds

Under the Agency Bonds Indentures, the Tax Revenues (as defined below) allocated and paid to the Agency with respect to the respective Project Areas are pledged to the payment of debt service on the applicable Agency Bonds and Parity Debt (including certain bonds and loan agreements securing other outstanding Authority bonds as described in this Official Statement). The Tax Revenues from a Project Area do not secure the Agency Bonds issued with respect to another Project Area. See “PLAN OF FINANCE- Annual Debt Service Requirements of the Bonds” for a table showing the projected Revenues, on a Project Area-by-Project Area basis. See also Appendix I for the debt service schedules for each series of the Agency Bonds.

The Agency Bonds Indentures generally define “**Tax Revenues**” as, for each Fiscal Year, the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Redevelopment Law in connection with the Project Area.

The following are expressly excluded from the definition of Tax Revenues:

(a) amounts, if any, received by the Agency pursuant to Section 16111 of the Government Code; and

(b) amounts, other than amounts required to pay principal or interest or other financing charges with respect to bonds or other obligations issued to increase, improve or preserve the supply of low and moderate income housing within or of benefit to the Project Area, deposited by the Agency in the Housing Fund pursuant to Section 33334.2 of the Law, as provided in the Redevelopment Plan); and

(c) in the University Corridor/Sycamore Canyon Merged Redevelopment Project, amounts payable to affected taxing agencies pursuant to the unsubordinated Pass-Through Agreements. The Agency Bonds Indenture relating to the 2007 Series A-1 Agency Bonds and the 2007 Series A-2 Agency Bonds defines Pass-Through Agreements as follows: the agreements entered into or approved by the Agency prior to the date of the related Agency Bonds Indenture pursuant to Section 33401 of the Redevelopment Law with the County of Riverside; the Riverside County Superintendent of Schools; the Riverside Unified School District; and (with respect to the Sycamore Canyon component area) the Riverside County Flood Control and Water Conservation District. See the sub-section entitled "Tax Sharing Obligations" in the section of this Official Statement relating to the University Corridor/Sycamore Canyon Merged Redevelopment Project for information about the relative priority of the Agency's payment obligations under the Pass-Through Agreements and the 2007 Series A-1 Agency Bonds and the 2007 Series A-2 Agency Bonds.

In addition, for purposes of the Agency Bonds with respect to the Arlington Redevelopment Project, tax increment generated in sub-areas E and F of the Amendment No. 3 Area is excluded from the definition of Tax Revenues unless the definition is subsequently amended by a Supplemental Indenture.

Tax Allocation Financing

The Redevelopment Law generally provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies within a project area, which generally includes the State of California and any city, county, district or other public corporation for whose benefit taxes are levied (the "**Taxing Agencies**"), thereafter receive only the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (the "**Tax Increment**") are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. The Tax Increment, however, is subject to a number of claims and reductions which are prior to the pledge of the repayment of redevelopment agency indebtedness, including among others pass-through agreements with the Taxing Agencies and administrative charges by the County, as further described in this Official Statement. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above described.

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or diversion of Tax Increment to Taxing Agencies may have the effect of reducing the amount of Tax Increment revenue that would otherwise be available to pay the Agency Bonds and, therefore, the Bonds. Likewise, the reduction of assessed valuations of taxable property in a Project Area, any reduction in tax rates or tax collection rates and broadened property tax exemptions would have a similar effect. See “BONDOWNER’S RISKS” and “LIMITATIONS ON TAX REVENUES”.

Allocation of Taxes

General. As provided in the respective Redevelopment Plans for the Project Areas (each, a “**Redevelopment Plan**”), and pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State, taxes levied upon taxable property in a Project Area each year by or for the benefit of the Taxing Agencies, for fiscal years beginning after July 1 subsequent to the effective date of the ordinance adopting the Redevelopment Plan for the applicable Project Area, or any amendment thereof, are divided as follows:

1. To the Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said Taxing Agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such Taxing Agency last equalized prior to the ordinance approving the Redevelopment Plan, shall be allocated to, and when collected shall be paid into the funds of the respective Taxing Agencies as taxes by or for said Taxing Agencies on all other property are paid;

2. To the Agency: Except for taxes which are attributable to a tax rate levied by a Taxing Agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the Taxing Agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the respective Taxing Agency, that portion of said levied taxes each year in excess of such amount (the “Tax Increment”) shall be allocated to, and when collected, shall be paid to the Agency to pay principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the applicable Redevelopment Project.

County of Riverside. The Fiscal Consultant Report states that the majority of tax increment revenues received by the Agency are disbursed in two payments by the County: 50% in January and 50% in May. Since 1989, unitary revenues have been disbursed separately, lagging behind tax increment disbursements by 15-60 days. Supplemental revenues, meanwhile, are disbursed as collected, on a monthly basis.

Housing Tax Revenues

The Redevelopment Law requires that, except under certain circumstances, redevelopment agencies set aside 20% of all gross Tax Increment (as described above) derived from redevelopment project areas into a low and moderate income housing fund, to be used for the purpose of increasing, improving and/or preserving the community's supply of low and moderate income housing. Such 20% set aside requirement is referred in this Official Statement as the “**Housing Tax Revenues.**” The Housing Tax Revenues are not pledged to

and are not available to pay debt service on the Agency Bonds, unless and to the extent the proceeds of the Agency Bonds are deposited in the Low and Moderate Income Housing Fund of the Agency. No portion of the proceeds of any of the Agency Bonds is planned to be deposited into the Low and Moderate Income Housing Fund. The Agency has other debt secured by Housing Tax Revenues, which is not described in this Official Statement.

Summary of Outstanding Parity Debt of Project Areas

In two of the five Project Areas, the Agency has previously incurred indebtedness payable from Tax Revenues on a parity with the pledge of Tax Revenues to the applicable series of Agency Bonds. Set forth below is a summary of the outstanding Parity Debt for University Corridor/Sycamore Canyon Redevelopment Project and Arlington Redevelopment Project. There is no outstanding parity debt in Magnolia Center Redevelopment Project, Hunter Park/Northside Redevelopment Project or La Sierra/Arlanza Redevelopment Project.

University Corridor/Sycamore Canyon Merged Redevelopment Project ^{(1), (2)}

Name of Issue	August 2, 2006 Outstanding Principal Amount	Final Maturity Date
1999A Bonds ⁽³⁾	\$14,750,000	August 1, 2027

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- (1) Does not include the Agency's outstanding \$6,055,000 Subordinate Tax Allocation Bonds, 1999 Series B, which are secured by and payable from Tax Revenues generated in the University Corridor/Sycamore Canyon Merged Redevelopment Project on a subordinate basis to the 1999A Bonds and the Agency Bonds.
 - (2) Does not include a series of bonds issued by the Redevelopment Agency (the \$24,470,000 Housing Set-Aside Tax Allocation Bonds, 2004 Series A), which is partially secured by and payable from Housing Set-Aside in the University Corridor/Sycamore Canyon Merged Redevelopment Project; the remaining debt service is payable from Housing Set-Aside in the Arlington Redevelopment Project, the Downtown/Airport Merged Redevelopment Project and the Magnolia Center Redevelopment Project.
 - (3) The portion of the debt service on the 1999A Bonds for the University Corridor/Sycamore Canyon Merged Redevelopment Project payable from Tax Revenues is equal to approximately 80% (the remainder is paid from Housing Set-Aside generated in the University Corridor/Sycamore Canyon Merged Redevelopment Project).

Arlington Redevelopment Project

Name of Issue	August 2, 2006 Outstanding Principal Amount ⁽¹⁾	Final Maturity Date
2004A Bonds	\$4,475,000	August 1, 2034
2004B Bonds	2,800,000	August 1, 2024

-
- (1) Does not include a series of bonds issued by the Redevelopment Agency (the \$24,470,000 Housing Set-Aside Tax Allocation Bonds, 2004 Series A) which is partially secured by and payable from Housing Set-Aside in the Arlington Redevelopment Project; the remaining debt service is payable from Housing Set-Aside in the University Corridor/Sycamore Canyon Merged Redevelopment Project, the Downtown/Airport Merged Redevelopment Project and the Magnolia Center Redevelopment Project.

Additional Agency Obligations

Parity Debt. Each Agency Bonds Indenture provides that the Agency may issue or incur additional Parity Debt subject to the conditions summarized in part below. See APPENDIX D “Summary of Certain Provisions of the Legal Documents” – “The Agency Bonds Indentures” – “Issuance of Parity Debt” for a more complete description of the conditions precedent to the issuance or incurrence of Parity Debt.

(a) No Event of Default shall have occurred and be continuing, and the applicable Agency shall otherwise be in compliance with all covenants set forth in the applicable Agency Bonds Indenture.

(b) The Tax Revenues for each succeeding Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the County or a written report of an Independent Redevelopment Consultant plus any Additional Revenues shall be at least equal to a certain percentage (as specified below) of Annual Debt Service on the applicable Agency Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year. The applicable percentage of Annual Debt Service for each of the Project Areas is the following:

University Corridor/Sycamore Canyon: 125% of Annual Debt Service on the applicable Agency Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year.

Arlington and Hunter Park/Northside: 130% of Annual Debt Service on the applicable Agency Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year.

La Sierra/Arlanza: 150% of Annual Debt Service on the applicable Agency Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year; *provided* that at such time as the incremental value in the Project Area (i.e., the total assessed value less the base year assessed value) is equal to or greater than the base year assessed value for the Project Area, then the amount of Tax Revenues and any Additional Revenues, shall be at least equal to 130% of Annual Debt Service on the applicable Agency Bonds and any Parity Debt outstanding, as provided above for each applicable succeeding Bond Year

Magnolia Center: 150% of Annual Debt Service on the applicable Agency Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year; *provided* that at such time that the total assessed value of the top 10 taxpayers owning property subject to *ad valorem* taxes within the Magnolia Center Redevelopment Project, as a percentage of the incremental value in the Magnolia Center Redevelopment Project (i.e., total assessed value less base year assessed value), is less than 50% of such incremental value, then the amount of Tax Revenues and any Additional Revenues, as provided above, shall be at least equal to 130% of Annual Debt Service on the applicable Agency Bonds and any Parity Debt outstanding, as provided above, for each applicable succeeding Bond Year.

(c) The Agency shall deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth subsections (a) and (b) above have been satisfied.

(d) The Agency shall fund a reserve account relating to such Parity Debt in an amount equal to the Reserve Requirement.

(e) Applicable provisions of the legal documents relating to outstanding Parity Debt shall be satisfied so long as such Parity Debt is outstanding.

Subordinate Debt. Each Agency Bonds Indenture provides that the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) The Agency shall be in compliance with all covenants set forth in the applicable Agency Bonds Indenture and all Parity Debt Instruments; and

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the Plan Limit on the amount of Tax Revenues, then all Outstanding Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance or incurrence of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted within the Plan Limit.

(c) Applicable provisions of the legal documents relating to outstanding Subordinate Debt shall be satisfied so long as such Subordinate Debt is outstanding.

Project Area-Specific Reserve Accounts

Each issue of the Agency Bonds and its related Parity Debt is secured by a separate and distinct Reserve Account established and held pursuant to the applicable Agency Bonds Indenture. ***Moneys in the Reserve Account for one series of Agency Bonds (and related Parity Debt) is not available to pay debt service on Agency Bonds related to other Project Areas or the Bonds.***

With respect to the Agency Bonds, each Reserve Account will be funded by crediting to the applicable Reserve Account a Debt Service Reserve Surety Bond issued by the Insurer (a “**Reserve Policy**”) in the amount of the applicable Reserve Requirement. Each Reserve Policy constitutes a Qualified Reserve Account Credit Instrument within the meaning of the applicable Agency Bonds Indenture. See “APPENDIX D - Summary of Certain Provisions of the Legal Documents” for information about the Reserve Accounts.

The “**Reserve Requirement**” is defined in each of the Agency Bonds Indentures to mean the least of the following:

- (i) 10% of the original principal amount of the Agency Bonds or Parity Debt, as applicable, provided that if the original issue discount of the Agency Bonds or Parity Debt exceeds 2% of such original principal amount, then initially 10% of the original principal amount of, less original issue discount on, such Agency Bonds or Parity Debt, but excluding from such calculation any proceeds of the

- Agency Bonds or Parity Debt deposited in an escrow described in the definitions in the Indentures of Annual Debt Service and Maximum Annual Debt Service,
- (ii) Maximum Annual Debt Service with respect to the Agency Bonds or any Parity Debt, as applicable, or
 - (iii) 125% of average Annual Debt Service on the Agency Bonds or Parity Debt, as applicable.

For purposes of calculating Maximum Annual Debt Service with respect to determining the Reserve Requirement, variable rate Parity Debt shall be deemed to bear interest rate at the maximum rate permitted by the Parity Debt Instrument.

“Maximum Annual Debt Service” is defined in each of the Agency Bonds Indentures to mean, as of the date of calculation, the largest amount of Annual Debt Service on all Outstanding Agency Bonds for the current or any future Bond Year. For purposes of such calculation, there is excluded a pro rata portion of each installment of principal of any Parity Debt, together with accrued interest, in the event and to the extent that the proceeds of such Parity Debt are deposited in an escrow fund from which amounts may not be released to the Agency unless the applicable Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County) plus Additional Revenues at least meets the coverage requirement for the issuance of Parity Debt.

In the event that the amount on deposit in the Reserve Account becomes less than the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee an amount of available Tax Revenues from the applicable Project Area sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. Amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account, in such order of priority, on any date which the principal of or interest on the applicable Agency Bonds, including any Parity Debt, becomes due and payable, in the event of any deficiency at any time in any of such accounts, or at any time for the retirement of all the Agency Bonds or any Parity Debt then Outstanding. So long as no Event of Default has occurred and is continuing, any amount in a Reserve Account in excess of the Reserve Requirement preceding each Interest Payment Date shall be withdrawn from such Reserve Account by the Trustee and deposited in the applicable Interest Account established for the Agency Bonds on or before the Interest Payment Date.

If the Agency at any time in the future has cash on deposit in a Reserve Account, the Agency has the right at any time to request the release of funds by the Trustee from such Reserve Account, in whole or in part, by tendering a Qualified Reserve Account Credit Instrument to the Trustee. See “APPENDIX D – Summary of Certain Provisions of the Legal Documents” for further information about the Reserve Accounts.

MUNICIPAL BOND INSURANCE

The following information has been furnished by the Insurer for use in this Official Statement. No representation is made by the Authority, the Agency or the Underwriter as to the accuracy or completeness of such information, or the absence of material adverse changes therein at any time subsequent to the date of this Official Statement. Reference is made to APPENDIX H for a specimen of the Insurer's policy.

The Municipal Bond Insurance Policy

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "MUNICIPAL BOND INSURANCE". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Company to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity under a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity under a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds under a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "**Preference**").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other trustee for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Trustee or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and

appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

Debt Service Reserve Fund Surety Bonds

Application has been made to MBIA for a commitment to issue five separate surety bonds (the "**Debt Service Reserve Fund Surety Bonds**"). Each Debt Service Reserve Fund Surety Bond will provide that upon notice from the Trustee to MBIA to the effect that insufficient amounts are on deposit in the applicable Debt Service Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the related Agency Bonds MBIA will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on such Agency Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by MBIA of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Agency Bonds as specified in the Demand for Payment presented by the Trustee to MBIA, MBIA will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of a Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by MBIA with the Trustee which have not been reimbursed by the Agency. The Agency and MBIA will enter into a Financial Guaranty Agreements dated April 1, 2007 (the "**Agreement**"). Pursuant to the Agreement, the Agency is required to reimburse MBIA, within one year of any deposit, the amount of such deposit made by MBIA with the Trustee under a Debt Service Reserve Fund Surety Bond.

Under the terms of the Agreement, the Trustee is required to reimburse MBIA, with interest, until the face amount of the applicable Debt Service Reserve Fund Surety Bond is reinstated. No optional redemption of Agency Bonds may be made until MBIA's Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond will be held by the Trustee in the Debt Service Reserve Fund and is provided as an alternative to the Agency depositing funds equal to the Debt Service Requirement for outstanding Agency Bonds.

MBIA Insurance Corporation

MBIA Insurance Corporation ("**MBIA**") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "**Company**"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial respective strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2005, MBIA had admitted assets of \$11.0 billion (audited), total liabilities of \$7.2 billion (audited), and total capital and surplus of \$3.8 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2006, MBIA had admitted assets of \$10.9 billion (unaudited), total liabilities of \$6.9 billion (unaudited), and total capital and surplus of \$4.0 billion (unaudited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of December 31,

2006, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "**SEC**") are incorporated by reference into this Official Statement:

- The Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006 are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

In the event MBIA were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

THE REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE

General

The Agency was established pursuant to the Redevelopment Law and was activated by Ordinance No. 3481 adopted by the City Council on November 14, 1967, at which time the City Council declared itself to be the governing board of the Agency. The Agency is charged with the authority and responsibility of redeveloping and upgrading blighted areas of the City. The Agency is a separate public body and exercises governmental functions in planning and carrying out redevelopment projects. Subject to requirements and certain limitations in the Redevelopment Law, the Agency can build public improvements, facilitate the development of on and off-site improvements for private development projects, acquire and re-sell property, and provide services of special benefit to the Project Areas.

Agency Administration

The Agency each year adopts an administrative budget. A portion of salaries and benefits of certain City staff members are budgeted and paid for by the Agency. The Agency funds administrative costs out of available revenues. Such reimbursement is subordinate to any outstanding bonded indebtedness of the Agency. The Agency pays a portion of the City's personnel and pension costs based upon the time spent on Agency business by specific employees. See APPENDIX B for a summary of the City's personnel and pension costs as of June 30, 2006.

The Agency's funds are invested by the City in accordance with the City's Investment Policy. See APPENDIX B for a summary of the City's investment portfolio as of December 31, 2006.

Members of the Agency and their terms of office are shown below:

<u>Member</u>	<u>Term Expires</u>
Ronald O. Loveridge, <i>Mayor</i>	November, 2009
Dom Betro, <i>Member, Ward 1</i>	June, 2007
Andy Melendrez, <i>Member, Ward 2</i>	June, 2009
Art Gage, <i>Member, Ward 3</i>	June, 2007
Frank Schiavone, <i>Member, Ward 4</i>	June, 2009
Ed Adkison, <i>Member, Ward 5</i>	June, 2007
Nancy Hart, <i>Member, Ward 6</i>	June, 2009
Steve Adams, <i>Member, Ward 7</i>	June, 2007

Brief biographies of the key Agency officers and staff are as follows:

Bradley J. Hudson, City Manager and Agency Executive Director, joined the City of Riverside in June 2005, after serving as the Assistant County Executive Officer of the Economic Development Agency, where he was responsible for broad activities and operations throughout the County. Mr. Hudson spent more than 14 years with the County, where he began as Deputy Chief Executive Officer for Eastern Riverside County. Mr. Hudson proudly served his country in the United States Air Force. He received his Bachelor of Science degree from California State University Fresno and a Master of Public Administration from University of San Francisco.

Michael J. Beck, Assistant City Manager, has over 20 years experience in the development arena. Mr. Beck has been with the City of Riverside for the last five years. Before he came to Riverside, he was the Director of Economic Development and Real Estate Services for University of California, Riverside. Mr. Beck has both a Master of Business Administration and a Bachelor of Arts in Business Economics, with an emphasis in Banking and Finance, from the University of California, Riverside.

Colleen J. Nicol, City Clerk and Agency Secretary, has been Riverside's City Clerk for 10 years, bringing with her twenty years of experience in her profession. The International Institute of Municipal Clerks awarded her the designation of Master Municipal Clerk and the Quill Award in 2002. She serves on the Board of Directors of the International Institute of Municipal Clerks. Ms. Nicol has a Master of Public Administration from California State University, San Bernardino, and a Bachelor's degree in Mathematics from California State University, Long Beach.

Paul C. Sundeen, City Assistant City Manager/Chief Financial Officer/Treasurer and Agency Treasurer, has held these positions for five years. Previously, he was an audit partner for PricewaterhouseCoopers, where he was extensively involved in the governmental sector. He is currently a member of the California Committee on Municipal Accounting and the State Governmental Accounting and Auditing Committee of the California Society of CPA's. He also serves on two Governmental Accounting Standards Board (GASB) Task Forces, working on pending pronouncements of GASB: one is titled "Elements of Financial Statements" and the other, "Intangible Assets." Mr. Sundeen holds a Bachelor of Science degree in Accounting from the University of Minnesota.

Gregory P. Priamos, City Attorney and Agency General Counsel, has been the City Attorney of the City of Riverside since 2002. Mr. Priamos has been with the City Attorney's Office since 1993, and before becoming the City Attorney, served as Supervising Deputy City Attorney in charge of the Litigation Services Division and as the Interim City Attorney/Interim Agency General Counsel. His prior experience includes employment as a senior associate with Burke, Williams & Sorenson, a municipal law firm in Los Angeles, where he represented numerous public entities. Priamos received his Juris Doctor degree from Loyola School and his undergraduate degree in political science from the University of Southern California.

Belinda J. Graham, Development Director, oversees all aspects of administration and promotion of development programs that enhance the quality of living, expand business, help create new job opportunities, and generate a commercial revenue base for the City of Riverside. Graham previously spent seven years as the Assistant Director

of the Economic Development Agency for the County of Riverside, where she led the Development Division. Prior to working for the County, Graham worked for the Redevelopment Agencies for the cities of Ontario and Fontana. She has served on the CA Riverside Ballet board and is currently a board member of the Global Trade Center of the Inland Empire. Graham received a Masters Degree in Business from the University of Redlands.

The Redevelopment Law requires redevelopment agencies to have an independent financial audit conducted each year. The financial audit is also required to include an opinion of the Agency's compliance with laws, regulations and administrative requirements governing activities of the Agency. The firm of Mayer Hoffman McCann P.C., Certified Public Accountants, Riverside, California, audited financial statements for the Agency for the fiscal year ended June 30, 2006. The firm's examination was made in accordance with generally accepted auditing standards. The firm reported after their examination that they noted no instances of noncompliance for the fiscal year ended June 30, 2006. See "APPENDIX C – Agency Audited Financial Statements for Fiscal Year Ended June 30, 2006". The Agency has not requested nor did the Agency obtain permission from Mayer Hoffman McCann P.C. to include the audited financial statements as an appendix to this Official Statement. Accordingly, Mayer Hoffman McCann P.C. has not performed any post-audit review of the financial condition or operations of the Agency.

Statement of Indebtedness

Under the Redevelopment Law, the Agency must file with the County Auditor a statement of indebtedness for each Project Area by October 1 of each year. As described below, the statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year.

Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (i) the total amount of principal and interest payable on all loans, advances or indebtedness (including the Bonds and other Agency debt) (the "**Debt**"), both over the life of the Debt and for the current fiscal year, and (ii) the amount of "available revenue" as of the end of the previous fiscal year.

"Available Revenue" is calculated by subtracting the total payments on Debt during the previous fiscal year from the total revenues (both tax increment revenues and other revenues) received during the previous fiscal year, plus any carry-forward from the prior fiscal year. Available Revenue includes amounts held by the Agency and irrevocably pledged to the payment of Debt other than amounts set aside for low- and moderate-income housing.

The County Auditor may only pay tax increment revenue to the Agency in any fiscal year to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness.

The statement of indebtedness constitutes prima facie evidence of the indebtedness of the Agency; however, the County Auditor may dispute the statement of indebtedness in certain cases. Section 33675 of the Redevelopment Law provides for certain time limits controlling any dispute of the statement of indebtedness, and allows for Superior Court determination of such dispute if it cannot be resolved by the Agency and the County. Any such action may only challenge the amount of the Debt as shown on the statement, and not the validity of any Debt or its related contract or expenditures. No challenge can be made to payments to a trustee in

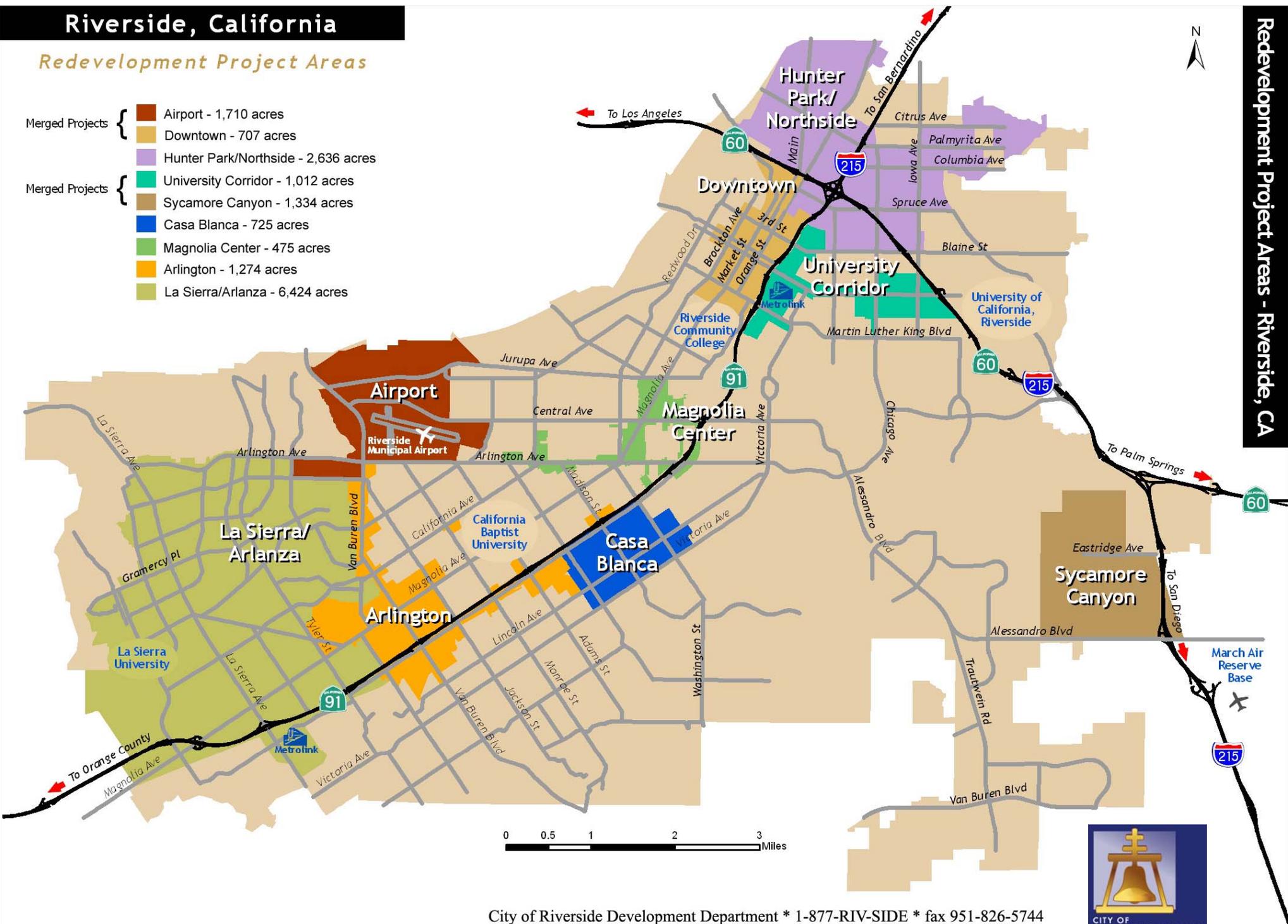
connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or bond issue.

The Agency's October 1, 2006 Statement of Indebtedness included outstanding obligations sufficient to collect all of the tax increment currently generated in the Project Areas for fiscal year 2006-07. The Agency expects that its future Statements of Indebtedness will also include outstanding obligations sufficient to collect all of the tax increment generated in the Project Areas during the applicable fiscal year.

Riverside, California

Redevelopment Project Areas

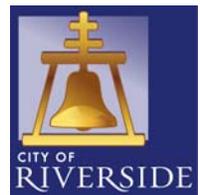
- Merged Projects {
 - Airport - 1,710 acres
 - Downtown - 707 acres
 - Hunter Park/Northside - 2,636 acres
- Merged Projects {
 - University Corridor - 1,012 acres
 - Sycamore Canyon - 1,334 acres
 - Casa Blanca - 725 acres
 - Magnolia Center - 475 acres
 - Arlington - 1,274 acres
 - La Sierra/Arlanza - 6,424 acres



Redevelopment Project Areas - Riverside, CA



City of Riverside Development Department * 1-877-RIV-SIDE * fax 951-826-5744
 www.RiversideCA.gov * 3900 Main Street, 5th Floor * Riverside, CA 92522



THE PROJECT AREAS

Redevelopment Plans

Under the Redevelopment Law, a city or county that activates its redevelopment agency is required to adopt, by ordinance, a redevelopment plan for each redevelopment project to be undertaken by the redevelopment agency. A redevelopment agency may only undertake those activities within a redevelopment project specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law, rather than a “plan” in the customary sense of the word.

For specific information about each Project Area and its redevelopment plan, see Table 1 and the four following sections that describe each Project Area.

Redevelopment Plan Limitations

AB 1290. In 1993, the California Legislature made significant changes in the Redevelopment Law by the adoption of AB 1290, Chapter 942, statutes of 1993 (“**AB 1290**”). Among the changes to the Redevelopment Law accomplished by the enactment of AB 1290 was a provision which limits the period of time for incurring and repaying loans, advances and indebtedness which are payable from tax increment revenues. AB 1290 further required that any redevelopment plan that either did not contain the appropriate limitations or that contained limitations longer than permitted by AB 1290 must be amended by the applicable legislative body.

Each of the Project Areas are subject to the special requirements of AB 1290, which replaced tax increment caps and negotiated fiscal agreements with finite plan durations and statutory payments to taxing entities, among other requirements.

SB 1045. The California Legislature subsequently enacted Senate Bill 1045, Chapter 260, Statutes 2003, effective September 1, 2003 (“**SB 1045**”). SB 1045 provides, among other things, that the Redevelopment Plans for the Project Areas may be amended to add one year to the effectiveness of the Redevelopment Plans and one year to the period for collection of tax increment revenues and the repayment of debt.

Pursuant to the authorization contained in SB 1045, the City Council adopted Ordinance No. 6914 (University Corridor/Sycamore Canyon Merged Redevelopment Project), Ordinance Nos. 6905 (Magnolia), 6906 (Hunter Park/Northside) and 6908 (Arlington) on October 3, 2006 extending by one year the date of effectiveness of the Redevelopment Plans and the allowed time to pay indebtedness or receive property taxes. The following table takes into account the effect of these Ordinances. The La Sierra/Arlanza Redevelopment Project is not eligible for extensions under SB 1045.

SB 1096. The Legislature has also adopted Senate Bill 1096, Chapter 211, Statutes of 2004 (“**SB 1096**”), authorizing extension of the effectiveness of redevelopment plans for an additional two years for those redevelopment plans with 20 years or less remaining.

Pursuant to the authorization contained in SB 1096, the City Council adopted Ordinance No. 6910 (Arlington Redevelopment Project) and Ordinance No. 6913 (University Corridor/Sycamore Canyon Merged Redevelopment Project) on October 3, 2006, extending by two years the date of effectiveness of the Redevelopment Plans and the allowed time to pay

indebtedness or receive property taxes. Table 1 takes into account the effect of these Ordinances. The La Sierra/Arlanza Redevelopment Project, Magnolia Center Redevelopment Project and Hunter Park/Northside Redevelopment Project are not eligible for extensions under SB 1096.

For specific information about each Project Area and applicable redevelopment plan limitations, see Table 1 and the five following sections that describe each Project Area.

TABLE 1
REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
Summary of Project Areas and Constituent Sub-Areas

Project Area	Ord. Number	Date of Adoption	Last Date to Incur Debt	Termination of Plan Activities	Last Date to Receive Increment	Tax Increment Limit ⁽¹⁾	Bonded Debt Limit ⁽¹⁾
University Corridor/ Sycamore Canyon							
<u>University Corridor:</u>							
Original Area	4471	10/25/77	01/01/2014	10/25/2020	10/25/2030		
1 st Amendment (area added)	5239	11/27/84	11/27/2014	11/27/2027	11/27/2037		
2 nd Amendment (no area added)	6099	12/20/94	--	--	--		
3 rd Amendment (1290 conformity)	6188	12/20/94	--	--	--		
4 th Amendment (area added)	6382	07/08/97	07/08/2017	07/08/2028	07/08/2043		
SB 1096 Amendment (3)	6913	10/03/06	--	--	--		
SB 1045 Amendment (2)	6914	10/03/2006	--	--	--		
<u>Sycamore Canyon:</u>							
Original Area	5148	12/20/83	1/1/2014	12/20/2026	12/20/2036	\$619	\$187
1 st Amendment (1290 conformity)	6192	12/20/94	--	--	--		
2 nd Amendment (area added)	6383	07/08/97	7/8/2017	7/8/2028	7/8/2043		
SB 1096 Amendment (3)							
SB 1045 Amendment (2)							
Arlington Project							
Original Area	4619	11/28/1978	1/1/2014	11/28/2021	11/28/2031	\$50	Combined w/2 nd
1 st Amendment (1290 conformity)	6193	12/20/1994	-	-	-	N/A	N/A
Area Added by 2 nd Amendment	6466	4/13/1999	4/13/2019	4/13/2030	4/13/2045	None	\$75
Area Added by 3 rd Amendment	6685	6/24/2003	6/24/2023	6/24/2034	6/24/2049	None	50
SB 1045 Amendment ⁽²⁾	6908	10/3/2006	-	-	-	-	-
SB 1096 Amendment ⁽³⁾	6910	10/3/2006	-	-	-	-	-
Magnolia Center							
Original Area	6441	7/14/1998	7/14/2018	7/14/2029	7/14/2044	None	55
SB 1045 Amendment ⁽²⁾	6905	10/3/2006					
SB 1096 Amendment ⁽³⁾		Not Eligible					
Hunter Park/Northside							
Original Area	6686	6/24/2003	6/24/2023	6/24/2034	6/24/2049	None	115
SB 1045 Amendment ⁽²⁾	6906	10/3/2006					
SB 1096 Amendment ⁽³⁾		Not Eligible					
La Sierra/Arlanza							
Original Area	6739	7/13/2004					
1 st Amendment (Delete Territory)	6828	10/18/2005					
2 nd Amendment (Delete Territory)	6892	7/25/2006	7/13/2024	7/13/2034	7/13/2049	None	235
SB 1045 Amendment ⁽²⁾		Not Eligible					
SB 1096 Amendment ⁽³⁾		Not Eligible					

(1) In millions.

(2) Extended Plan activities and receipt of tax increment by 1 year for fiscal year 2003-04 ERAF payment.

(3) Extended Plan activities and receipt of tax increment by 2 years for fiscal years 2004-05 and 2005-06 ERAF payments.

Source: DHA Consulting

SB 211. The California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 (“**SB 211**”). SB 211 provides, among other things, that the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body.

SB 211 also authorizes the amendment of a redevelopment plan adopted prior to January 1, 1994, in order to extend for not more than 10 years the effectiveness of the redevelopment plan and the time to receive tax increment revenues and to pay indebtedness. Any such extension must meet certain specified requirements, including the requirement that the redevelopment agency establish the existence of both physical and economic blight within a specified geographical area of the redevelopment project and that any additional tax increment revenues received by the redevelopment agency because of the extension be used solely within the designated blighted area. SB 211 authorizes any affected taxing entity, the Department of Finance, or the Department of Housing and Community Development to request the Attorney General to participate in the proceedings to effect such extensions. It also would authorize the Attorney General to bring a civil action to challenge the validity of the proposed extensions.

SB 211 also prescribes additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan.

Tax Sharing Obligations

Pass-Through Agreements. The Agency has entered into tax-sharing agreements with taxing entities and school districts with respect to the portions of the University Corridor/Sycamore Canyon Merged Redevelopment Project that were adopted prior to 1994 (the “**Pass-Through Agreements**”). See “APPENDIX A – Fiscal Consultant Report” and the information in the following section relating to the University Corridor/Sycamore Canyon Merged Redevelopment Project about the Pass-Through Agreements, including information about the relative priority of the Agency’s tax sharing obligations under the Pass-Through Agreements and debt service on the 2007 Series A-1 Agency Bonds and the 2007 Series A-2 Agency Bonds.

The Agency has not entered into tax-sharing agreements with taxing entities with respect to the other Project Areas.

Statutory Tax Sharing. All or a portion of the Project Areas are subject to the tax sharing provisions of AB 1290. Under Section 33607.5 and Section 33607.7 of the Redevelopment Law (added by AB 1290), any Project Area formed after 1994 and any territory added to a Project Area after 1994 is required to share in tax increment revenues generated by such territory pursuant to a statutory formula (“**Statutory Tax Sharing**”); in addition, Statutory Tax Sharing is required when the Agency amends a redevelopment plan to increase one or more of its time and/or revenue limitations (the pass-through requirement is triggered when the first original deadline that was amended is reached). See “APPENDIX A – Fiscal Consultant Report” and the information in the following Project Area sections about the Agency’s Statutory Tax Sharing obligations in the Project Areas.

The Agency has completed proceedings for the subordination of the Statutory Tax Sharing payments to the payment of debt service on the Agency Bonds and outstanding Parity Debt.

Other Agreements. In the University Corridor/Sycamore Canyon Merged Redevelopment Project, the Agency has entered into agreements pursuant to which the Agency is obligated to make payments from tax increment. See “APPENDIX A – Fiscal Consultant Report” and the section relating to the University Corridor/Sycamore Canyon Merged Redevelopment Project for a description of the Agency’s obligations with respect to these agreements. The Agency has not entered into any other agreements pursuant to which its payment obligations are secured by a pledge of tax increment generated in a Project Area.

Appeals

Proposition 8 Appeals. Many of the appeals that might be filed in the Project Areas would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that current market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. The State Board of Equalization has approved this reassessment practice and such practice has been used by county assessors statewide. This reassessment practice was approved by the California Court of Appeal, Fourth District, in the recent case of County of Orange et al. v Bezaire 2004, with respect to which a petition for review to the California Supreme Court was denied (July 21, 2004).

Base Year Appeals. A second type of assessment appeal is called a Base Year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the “base year” value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Appeals in Riverside County. When an appeal is filed, the County has two years from the date of filing to rule on appeal requests. If the County reduces the assessed value of any parcel, there can be no assurance that the reduction will be by the amount estimated by the Fiscal Consultant. The County experienced a high level of assessment appeals in the late 1990’s, and significant appeals to assessed values in the Project Areas may be filed from time to time in the future. The Agency cannot predict the extent of these appeals or their likelihood of success.

Valuation reductions resulting from the resolution of appeals are assumed by the Fiscal Consultant to occur in fiscal year 2007-08. Refunds related to the resolution of these appeals have not been incorporated into the Fiscal Consultant's revenue projections because the County's practice for the allocation of those refunds holds redevelopment agencies harmless.

For specific information about pending and settled appeals in the Project Areas, see "APPENDIX A – FISCAL CONSULTANT REPORT– Section D - Assessment Appeals". See "LIMITATIONS ON TAX REVENUES – Property Taxes, Levy and Collection" for a discussion of the County's "Teeter Plan" – like policy.

Tax Rates

The tax rate within the Project Areas is 1.00520%, which is the result of a 1% general tax levy and a 0.00520% Metropolitan Water District tax levy. The tax rate does not include taxes levied with respect to districts which received voter approval for debt after 1988.

For purposes of projecting Tax Revenues, the Fiscal Consultant assumed a tax rate of 1.0%.

THE UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT

General

The University/Sycamore Merged Redevelopment Project, which contains a total of approximately 2,346 acres, is the result of a merger of two project areas:

University Corridor Sub-Area: this area was originally called the Central Industrial Redevelopment Project, but was redesignated the University Corridor Redevelopment Project. The University Corridor Redevelopment Project encompassed approximately 592 acres. The areas north and south of the University Corridor Redevelopment Project are primarily residential. Directly east of the University Corridor Redevelopment Project is the University of California, Riverside. The University Corridor Redevelopment Project is near the merger of Interstate 215 and State Route 60 and also near State Route 91. Railroad lines run through the University Corridor Redevelopment Project easterly of State Route 91.

Sycamore Canyon Redevelopment Project: the Sycamore Canyon and Box Springs Industrial Park Redevelopment Project encompassed approximately 1,300 acres, most of which is in the southwest portion of the City. This sub-area is close to Interstate 215 and State Route 60.

At the time of its formation in 1977, the overall character of the University Corridor sub-area consisted of mixed industrial uses, primarily older buildings with numerous rail lines and spurs. The University Corridor sub-area serves as the focus for the three railroads which traverse the City. The University Corridor sub-area is currently a mix of land uses, primarily industrial in the western portion with commercial and residential uses in the area to the east. Land use in the University Corridor sub-area consists of streets/railroad right-of-way, industrial uses, commercial property, residential property and public/institutional uses.

At the time of its formation in 1983, the Sycamore Canyon sub-area was vacant land, approved under the Sycamore Canyon Specific Plan for industrial/business park uses and limited retail support commercial development. The sub-area was bordered on the east by BN&SF rail lines and spurs, as well as Interstate 215, and proximate to State Route 60 to the north. Three Interstate interchanges service the Project area; Fair Isle Drive to the north, Eastridge/Eucalyptus Avenue in the center of the sub-area, and Alessandro Boulevard at the southerly boundary. The sub-area is now the focus of major industrial and warehouse development and has been expanded to include 34 acres along the easterly frontage of Interstate 215. Its location just northwest of the March Global Port facility has proven to be attractive for new industrial development. Major tenants now include Pepsi Cola, Wild Oats (Henry's Markets), Quebecor World, Broyhill Furniture, Ralph's Markets, Big 5 Sporting Goods (who recently occupied almost 1,000,000 square feet) and several others.

When the University Corridor Redevelopment Project and the Sycamore Canyon Redevelopment Project were merged (1997), approximately 154 acres were added to the new Merged Redevelopment Project Area: approximately 120 acres located near the original University Corridor sub-area and 34 acres near the Sycamore Canyon sub-area. Approximately 65 of the 154 acres are currently utilized as an agricultural research facility by the University of California, Riverside. Approximately 12.7 acres are currently vacant. The surrounding parcels in the added area have been or are developed for urban uses.

Redevelopment Plan; Redevelopment Plan Limitations

Redevelopment Plan. The City Council established the University Corridor Redevelopment Project (originally known as the Central Industrial Redevelopment Project) on October 25, 1977 by adoption of Ordinance No. 4471. The Plan was amended on November 27, 1984 to add 300 acres, by adopting Ordinance No. 5239; the area was redesignated as the University Corridor Redevelopment Project at that time. The Plan was amended on December 28, 1993, and again on December 20, 1994, to comply with the provisions of AB 1290. The Sycamore Canyon/Box Springs Industrial Redevelopment Project was adopted on December 20, 1983 by Ordinance No. 5148 and amended on December 20, 1994, in order to comply with the provisions of AB 1290. The University Corridor Redevelopment Project and the Sycamore Canyon Redevelopment Project were merged and territory added on July 8, 1997, by the adoption of Ordinance No. 6382.

Most recently, the Agency adopted ordinances to extend the effective life of University Corridor Redevelopment Plan and to extend the final date to collect increment and repay indebtedness pursuant to SB 1045 (Ordinance No. 6914 adopted on October 3, 2006) and SB 1096 (Ordinance 6913 adopted on October 3, 2006).

Redevelopment Plan Limitations. With respect to the gross tax increment limit of \$619 million, the Agency had received \$57,035,180 as of June 30, 2006. If assessed values were to grow at 2% per year (as assumed by the Fiscal Consultant in its projection of Tax Revenues), the University Corridor/Sycamore Canyon Merged Redevelopment Project would not reach the cumulative tax increment limit prior to August 1, 2037 (the final maturity date of the Agency Bonds issued with respect to the University/Sycamore Redevelopment Program). If assessed values were to grow at a future annual rate of 4.25% the University/Sycamore Merged Redevelopment Project would reach the cumulative tax increment limit in fiscal year 2036-37. Between fiscal year 2001-02 and fiscal year 2006-07, assessed values in the University/Sycamore Merged Redevelopment Project grew an average of 18.95% per year. As a result of the gross tax increment limit, Tax Revenues received by the Agency in fiscal years

prior to fiscal year 2036-37 may need to be used to pay principal of Agency Bonds issued with respect to this Project Area maturing in later years.

The Agency has covenanted in the Agency Bonds Indenture relating to the University/Sycamore Merged Redevelopment Project as follows:

(a) The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the 1999 Series A Bonds, the Agency Bonds issued with respect to the University/Sycamore Merged Redevelopment Project and any Parity Debt when due.

(b) In addition, the Agency covenants that it will annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Agency under the Plan Limitations, as well as future cumulative Annual Debt Service, payments on any obligations of the Agency payable from tax increment revenues that are senior to the Agency Bonds issued with respect to the University/Sycamore Merged Redevelopment Project, and payments on obligations that are subordinate to the Agency Bonds issued with respect to the University/Sycamore Merged Redevelopment Project. If an amount equal to 95% of the amount remaining under the Plan Limitations, taking into account both tax increment revenues already received *plus* tax increment revenues estimated to be received in the current and the next three fiscal years,

(i) falls below the sum of:

- (A) remaining cumulative Annual Debt Service,
- (B) payments on obligations of the Agency payable from tax increment revenues that are senior to the Agency Bonds issued with respect to the University/Sycamore Merged Redevelopment Project, and
- (C) payments on obligations that are subordinate to the Agency Bonds issued with respect to the University/Sycamore Merged Redevelopment Project or

(ii) will cause the tax increment cap in a sub-area of the Project Area to meet its cap,

the Agency shall adopt a plan approved by an Independent Redevelopment Consultant that demonstrates the Agency's continuing ability to pay debt service on the Agency Bonds issued with respect to the University/Sycamore Merged Redevelopment Project and Parity Debt. Such plan may include, among other actions, defeasing or redeeming the Agency Bonds issued with respect to the University/Sycamore Merged Redevelopment Project or Parity Debt or reducing the amount of tax increment being claimed from one or more sub-areas within the Project Area. In the event that the Agency determines to defease or redeem Agency Bonds issued with respect to the University/Sycamore Merged Redevelopment Project or Parity Debt, such defeasance shall be accomplished as provided in Agency Bonds Indenture. Further, in the event the Agency elects to defease Agency Bonds issued with respect to the University/Sycamore Merged Redevelopment Project or Parity Debt, the Agency shall first notify S&P and Fitch, and such defeasance or redemption shall occur only if the Agency receives

confirmation from S&P and Fitch that such defeasance or redemption will not, in and of itself, cause S&P and Fitch to lower the underlying rating then in effect with respect to the Agency Bonds issued with respect to the University/Sycamore Merged Redevelopment Project and Parity Debt.

In addition, the Agency is considering an amendment of the University Corridor/Sycamore Canyon Redevelopment Plan to increase the cumulative tax increment limit.

Land Use

The largest use of land in the University Corridor/Sycamore Canyon Merged Redevelopment Project in terms of assessed value is industrial with commercial and residential uses following. The table below shows the land use in the University Corridor/Sycamore Canyon Merged Redevelopment Project, based on fiscal year 2006-07 assessed valuation.

Table 2
UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT
Land Use; Fiscal Year 2006-07

Category of Value	# of Parcels	FY 2006-07 Value	% of Total
Residential	318	\$187,970,386	21.19%
Commercial	152	192,274,234	21.67
Industrial	84	332,035,711	37.43
Recreational	--	-	0.00
Institutional	9	2,416,654	0.27
Vacant Land	240	63,573,874	7.17
SBE (1)	38	2,984,513	0.34
Possessory Interest (1)	8	494,794	0.06
Unsecured (1)	303	91,626,361	10.33
Miscellaneous	--	-	0.00
Unknown	102	13,819,886	1.56
Total	905	\$887,196,413	100.00%

(1) Indicates the number of assessments in this category but actually represent duplicate parcels.
Source: DHA Consulting; compiled from Riverside County Assessment Records.

Historic and Current Assessed Valuation

The assessed values in the University Corridor/Sycamore Canyon Merged Redevelopment Project have increased significantly in recent years, primarily because of new industrial development in the Sycamore Canyon sub-area and new private residential student housing in University Corridor sub-area. Several million square feet of new industrial development has been located in Sycamore Canyon over the last three to five years. In University Corridor, three major student housing projects, ranging in value from \$27 to \$37 million have been built in the last few years.

The table below shows a six-year history of assessed valuation in the University Corridor/Sycamore Canyon Merged Redevelopment Project. The base year assessed valuation for the University Corridor/Sycamore Canyon Merged Redevelopment Project is \$107,359,759.

Table 3
UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED
REDEVELOPMENT PROJECT
Historic Assessed Valuation

Fiscal Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Secured	\$380,246,995	\$429,418,145	\$489,819,599	\$543,417,911	\$621,618,810	\$792,585,539
SBE	3,801,666	3,354,812	2,939,003	2,844,610	2,883,067	2,984,513
Unsecured	71,547,365	80,451,514	74,567,980	76,046,481	78,495,398	91,626,361
Total Value	\$455,596,026	\$513,224,471	\$567,326,582	\$622,309,002	\$702,997,275	\$887,196,413
% Change		12.65%	10.54%	9.69%	12.97%	26.20%

Source: DHA Consulting; compiled from Riverside County Auditor-Controller.

Table 6.5 of the Fiscal Consultant's Report shows, for fiscal year 2006-07, assessed value and projected tax revenue in the sub-areas of the University Corridor/Sycamore Canyon Merged Redevelopment Project. See "APPENDIX A - FISCAL CONSULTANT REPORT – Table 6.5".

Largest Taxpayers

The following table shows the ten largest taxpayers in the University Corridor/Sycamore Canyon Merged Redevelopment Project (based on the fiscal year 2006-07 tax roll). For a breakout of each of the ten taxpayer's secured value and unsecured value, see "APPENDIX A - FISCAL CONSULTANT REPORT – Table 3.5".

Table 4
UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED
REDEVELOPMENT PROJECT
Largest Property Taxpayers
Fiscal Year 2006-07

Assessee Name	Sub-area	Use	# of Parcels	FY 2006-07 Total	% of Total AV ⁽¹⁾	% of Incremental AV ⁽¹⁾
State Street Bank/Ralphs Groc (4)	Sycamore - Original	Food Distr. Facility	2	\$111,541,290 ⁽⁵⁾	12.6%	14.3%
Bottling Group (4)	Sycamore - Original	Manufacturing/Pepsi	2	51,940,302	5.9	6.7
Phelan Prop	Sycamore - Original	Industrial	9	47,696,760	5.4	6.1
Riverside Student Housing	UC - 1985 Annex	Residential	1	39,467,550	4.4	5.1
Bryan H. Richter	UC - 1985 Annex	Residential Retail/Office/	1	39,156,192	4.4	5.0
Riverside Village ⁽²⁾	UC - 1985 Annex	Theaters	6	36,328,896	4.1	4.7
Sequoia Equities/Univ Village ⁽²⁾	UC - 1985 Annex	Residential	1	32,885,436	3.7	4.2
Space Center Sycamore Canyon	Sycamore - Original	Industrial/Office Park Industrial/	2	29,765,479	3.4	3.8
D & N Inv. LLC ⁽³⁾	Sycamore - Original	Commercial	2	15,849,369	1.8	2.0
Riverside Gateway	UC - Original	Commercial	2	15,813,425	1.8	2.0
Total			28	\$420,444,699	47.4%	53.9%
				Total Project Area Value	\$887,196,413	
				Total Project Area Incremental Value	\$779,836,654	

(1) Numbers may not add because of rounding.

(2) The value for a former major taxpayer, University Village, has been bifurcated into the Riverside Village and Sequoia Equities properties.

(3) Formerly Thomas Weborg.

(4) Property owned by this entity is subject to a pending assessed valuation appeal. See Table 5.5 of the Fiscal Consultant Report.

Source: DHA Consulting; compiled from Riverside County Assessment Records.

The top five property taxpayers in fiscal year 2006-07 accounted for approximately 32.7% of the total assessed value in the Redevelopment Project in fiscal year 2006-07. The following is a brief description of the top five taxpayers and their activities in the University Corridor/Sycamore Canyon Merged Redevelopment Project:

State Street Bank/Ralph's Grocery. State Street Bank owns 81.22 acres of land. The site features a grocery warehouse, distribution center and creamery consisting of more than one million square feet which was constructed in 1995 and leased to Smith's Foods. The property is subleased to Ralph's Grocery Company, which along with Smith's Foods, operates more than 800 stores, mostly in the western United

States. Ralph's Foods added an additional 100,000 square feet to the facility in 1999. The distribution center employs approximately 900 people.

Bottling Group. Pepsi Cola's bottling and distribution center in the Sycamore Canyon area is situated on a 30.93-acre site. The Pepsi facility covers almost one million square feet of space. The full line of Pepsi products are produced on-site and distributed to the Inland Empire and desert regions of Southern California. Pepsi Cola employs 380 people at this site.

Phelan Properties/Panattoni Development. Phelan Properties/Panattoni Development owns three industrial sites in the Sycamore Canyon sub-area. One site is developed with an approximately 1 million square foot industrial structure that houses the Big 5 distribution warehouse. The other two sites have pending developments: the second site has been approved for the development of two industrial buildings containing approximately 900,000 square feet, while the third site has been approved for the development of three industrial buildings containing approximately 216,000 square feet.

Riverside Village, Sequoia Equities (formerly University Village). On a land area of over 7 acres, this is a mixed-use project near University of California, Riverside. Construction of a \$41 million residential student-housing tower will be completed in summer 2005. Two additional commercial buildings are planned: a single-story retail building along Iowa Avenue, and a multi-story commercial/office building adjacent to the parking garage.

Bryan H. Richter. On 12 acres, a \$25 million development named GrandMarc at University Village incorporates six 4-story student apartments housing 752 residents in 212 suites.

New Development

The following projects are either in the entitlement process, have had substantial site work or have contracts approved for construction. The Fiscal Consultant **did not** reflect the anticipated value of these projects in its tax increment projection for the Project Area.

Sycamore Canyon Redevelopment Project:

Corac Alessandro LLC Business Center (Western Realco)

Description: New industrial center located on Alessandro Blvd. and San Gorgonio Drive, near 215 Freeway. Four separate buildings for warehouse and manufacturing uses totaling 662,000 sq. ft. ranging in size from 36,243 sq. ft. to 440,374 sq. ft.

Parcel: 80 acres

Status: Construction start: Spring 2007

Cottonwood Creek Business Park

Description: New mixed use office/showroom retail development adjacent to 215 Freeway – Phase one includes 19 separate tenant spaces in 9 buildings ranging from 5,100 sq. ft. to 11,000 sq. ft.; Phase two includes a freeway showroom building; Phase three includes the remainder of the 40-acre site.

Parcel: Portion of 40-acre Cottonwood Creek Master Plan

Status: Phase one nearing completion; Phase two ready for permits; Phase three in planning

Sycamore Business Park (Trammel Crow)

Description: 987,875 sq. ft. distribution and manufacturing business park. Five buildings ranging in size from 27,400 sq. ft. to 400,000 sq. ft. in size, at Sycamore Canyon Boulevard and Eastridge Avenue

Parcel: 50 acres

Status: Construction start: Spring 2007

University Corridor Redevelopment Project:

BRE Properties

Description: Transit Oriented Development of 529 unit multiple-family residential dwelling project located adjacent to the Downtown Riverside Metrolink Station, bounded by 14th Street, 10th street and Howard Street.

Parcel: 15.17 acres

Status: Construction start: mid-2008

Menlo Mixed Use Project

Description: Private development plans nearing permit for a mixed used retail, restaurant and office project at 1820-1860 University Avenue. Two 2-story buildings containing 52,000 sq. ft. for restaurant (17,000 sq. ft.), retail (10,000 sq. ft.), and office (25,000 sq. ft.)

Parcel: 3.3 acres

Status: Construction start: Summer 2007

Riverside Transit Authority Multi-Modal Transit Center

Description: New Transit Center Facility consisting of an 8-12 bay bus plaza with ancillary parking and potential for retail/restaurant uses to be developed concurrently. This facility represents a relocation from downtown Riverside to adjacent to Metrolink Train station facilities and the 91 Freeway. This is a joint development with RTA and the City (Cost: \$7 million). Although this facility will be publicly-owned, the Agency expects it to positively impact private development in the Project Area, particularly transit-oriented and mixed-use development.

Parcel: 5 acres

Status: Construction start: Fall 2007

University Horizons Mixed Use Project

Description: Purchase agreement approved and plans nearing permit for a mixed-used retail, restaurant and office project at 2039-2055 University Avenue. Two-story building contains 13,000 sq. ft. and uses include restaurant (1,500 sq. ft.), retail (5,000 sq. ft.), and office (6,500 sq. ft.)

Parcel: 0.60 acres

Status: Construction start: Summer 2007

Appeals

There are currently eight appeal requests on record with the County for parcels in the University Corridor/Sycamore Canyon Merged Redevelopment Project, which, along with resolved appeals not yet reflected in the assessment rolls, the Fiscal Consultant estimates could decrease the University Corridor/Sycamore Canyon Merged Redevelopment Project value by approximately \$1.9 million or less than 0.1% of project area assessed value. Based on historical success rates, the Fiscal Consultant has assumed that the resolution of the outstanding appeals will result in a 10% reduction in assessed value on these parcels, on average, for the University Corridor/Sycamore Canyon Merged Redevelopment Project.

For specific information about pending and settled appeals in the University Corridor/Sycamore Canyon Merged Redevelopment Project, see "APPENDIX A – FISCAL CONSULTANT REPORT– Table 5.5".

Tax Sharing Obligations

Pass-Through Agreements. The following are summaries of negotiated Pass-Through Agreements of the Agency with respect to the University Corridor/Sycamore Canyon Merged Redevelopment Project. The summaries identify the relative priority of the Agency's payment obligations under the Pass-Through Agreements and debt service on the Agency Bonds.

Table 5
UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT
Tax Sharing Agreements Summary

Taxing Entity	Description of the Agreement	Applies to:	Basis	Approx. Percentage Share	Portion Currently Paid	FY 2006-07 Payment Amt. % ⁽²⁾	Potential Future Increases	Lien on Tax Revenue
County General ⁽¹⁾	The County receives a portion of its share up to 100%. Since 2004-05, the Agency has been paying the County 100% of its share of gross tax increment.	All Pre-1994 Areas	1.0% Receipts	28.8% UC 30.3 Syc.	100.0%	29.3%	None	Senior
Flood Control District	Since 2002-03, the Agency has been paying the District 100% of its share of gross tax increment.	All Pre-1994 Areas	Net 1.0 ⁽³⁾	2.8% UC 3.3 Syc.	100.0% UC Varies Syc.	1.9%	>+/-3.0%	Senior in Sycamore; Subordinate in Central
County Supt. of Schools	The District receives 37.5% of its share of net taxes, but only in the 1985 Annex.	1985 Annex UC Only	1.0% Receipts	3.0 UC N/A Syc.	30.0%	0.3%	None	Senior
Riverside City Comm. College District	The District receives 30% of its share of net tax increment revenues from the Project Area.	Original & 1985 Annex UC Only	Net 1.0 ⁽³⁾	5.2% UC N/A Syc.	100.0%	2.0%	None	Subordinate
TOTAL SENIOR						31.5%	None	Senior
TOTAL SUBORDINATE						2.0%	None	Subordinate
GRAND TOTAL						33.5%		

(1) Share payable to the County increased to 100% when Agency retained \$4.0 million and \$4.2 million of the County's Share from University Corridor and Sycamore Canyon, respectively.

(2) Amount shown equals the approximate percentage of gross tax increment from the entire Merged Redevelopment Project for the 2006-07 fiscal year.

(3) Net equals tax increment without unitary, less housing and less the administrative charge.

Source: DHA Consulting

Statutory Pass-Through Obligations. Certain sub-areas of the University Corridor/Sycamore Canyon Merged Redevelopment Project are subject to Statutory Tax Sharing under AB 1290. **The Agency has completed proceedings for the subordination of the Statutory Tax Sharing payments to the payment of debt service on the Agency Bonds.**

Payments to Developers/Property Owners. The Agency has entered into Disposition and Development Agreements/Owner Participation Agreements with two property owners which provide for payment of certain tax increment revenue to the parties:

- Smith Foods (the “**Smith's Foods Agreement**”) in the Sycamore Canyon Redevelopment Project; the Smith’s Foods Agreement has been assigned to Ralph’s Grocery Company. The obligation to make payments under the Smith’s Foods Agreement is subordinate to the payment of debt service on the Agency Bonds issued with respect to the University Corridor/Sycamore Canyon Merged Redevelopment Project.
- Pepsi-Cola Bottling Company (the “**Pepsi Agreement**”) in the Sycamore Canyon Redevelopment Project). Payments under the Pepsi Agreement are subordinate to the payment of debt service on the Agency Bonds issued with respect to the University Corridor/Sycamore Canyon Merged Redevelopment Project. Payments pursuant to the Pepsi Agreement are deferred until a certificate of completion is issued by the Agency indicating all conditions required by the Pepsi Agreement with the Agency have been met. The Pepsi project has not yet been completed (as such term is defined in the Pepsi Agreement) and no completion is anticipated by the Agency at this time. The Fiscal Consultant Report includes the tax increment generated by Pepsi in its revenue projections but does not deduct any payments to Pepsi.

The Agency does not believe that its obligations under these agreements will adversely impact its ability to pay debt service on the Agency Bonds issued with respect to the University Corridor/Sycamore Canyon Merged Redevelopment Project.

Projection of Tax Revenues and Estimated Coverage

The following table details projected Tax Revenues in the University Corridor/Sycamore Canyon Merged Redevelopment Project. The projections start with estimated fiscal year 2006-07 assessed values and then utilize the following assumptions:

Tax Rate: The projections assume a 1.0% tax rate, although the current tax rate in the Redevelopment Project is 1.00520%.

Assessed Value: The projections utilize fiscal year 2006-07 assessed values as reported by the County as the baseline value.

Inflation Rate: In California, real property values (land and improvements) are subject to an annual inflationary increase, as allowed under Proposition 13. The projection table assumes, with respect to secured and unsecured property, a 2.0 percent inflation factor in fiscal year 2007-08 and thereafter. See “BOND OWNERS’ RISK - Reduction in Inflationary Rate and Changes in Legislation.” Assessed values of personal

property and state-assessed (non-unitary property) are assumed to remain at their estimated fiscal year 2006-07 levels.

Property Transfers: The projections do not assume there will be any impact from property transfers after August 31, 2006, but assume \$20,309,308 of increased assessed values as a result of transfers between January 1, 2006 and August 31, 2006.

New Development: The projections include in the fiscal year 2007-08 and 2008-09 values the projected value of (i) new construction that was underway and (ii) new construction that had been completed but had not been reflected on the tax rolls (\$156,160,000), in each case as of December 31, 2006. See Table 8.5 of the Fiscal Consultant Report for a list of the new development incorporated in the projections.

Appeals: The projections assume assessed values are reduced in fiscal year 2007-08 as a result of the resolution of pending appeals. For the University Corridor/Sycamore Canyon Merged Redevelopment Project, it is assumed that the resolution of outstanding appeals will result in a 10% assessed value reduction with respect to the properties filing such appeals. Refunds related to the resolution of these appeals have not been incorporated into the revenue projections because it is the County's practice to hold redevelopment agencies harmless in the event of refunds.

Housing Set-Aside: Housing Set-Aside generated in the University Corridor/Sycamore Canyon Redevelopment Project is not available to pay debt service on the Agency Bonds issued for the University Corridor/Sycamore Canyon Redevelopment Project. However, the Housing Set-Aside is pledged to pay a portion of the debt service on the Agency's outstanding 1999A Bonds relating to this Project Area. Approximately 20% of the debt service on the 1999A Bonds is payable from Housing Set-Aside.

County Administrative Charge. The projections assume a County administrative charge equal to 1% of gross tax increment generated in the University Corridor/Sycamore Canyon Merged Redevelopment Project will be deducted as part of the calculation of Tax Revenues.

Tax-Sharing Obligations: The projections assume certain payment obligations under negotiated Pass-Through Agreements will be paid prior to payment of debt service on the Agency Bonds and outstanding Parity Bonds, and that the Statutory Tax Sharing payments are subordinate to debt service on the Agency Bonds and outstanding Parity Bonds.

Table 6
UNIVERSITY CORRIDOR/SYCAMORE CANYON
MERGED REDEVELOPMENT PROJECT
Projected Tax Revenue and
Estimated Debt Service Coverage

Year ⁽¹⁾	Gross Tax Revenue ⁽²⁾	Less Housing Set-Aside ⁽²⁾	Less County Admin Charge ⁽²⁾	Less Senior Pass-Through Agmts. ⁽²⁾	Tax Revenues ⁽²⁾	Outstanding Parity Bonds Debt Service ^{(3), (4)}	Estimated 2007 Series A-1 and A-2 Debt Service	Total Parity Debt Service	Estimated Coverage
2007	\$7,827,329	\$1,565,466	\$78,273	\$2,363,185	\$3,820,405	\$900,644	\$425,107	\$1,325,751	288%
2008	9,408,979	1,881,796	94,090	2,854,566	4,578,527	899,044	1,438,727	2,337,771	196
2009	9,911,969	1,982,394	99,120	3,010,200	4,820,256	896,612	1,436,141	2,332,753	207
2010	10,115,074	2,023,015	101,151	3,070,920	4,919,989	901,324	1,423,555	2,324,879	212
2011	10,328,874	2,065,775	103,289	3,141,811	5,017,999	896,812	1,426,493	2,323,305	216
2012	10,546,949	2,109,390	105,469	3,207,254	5,124,835	899,388	1,424,481	2,323,869	221
2013	10,769,386	2,153,877	107,694	3,274,007	5,233,808	900,668	1,422,219	2,322,887	225
2014	10,996,271	2,199,254	109,963	3,342,094	5,344,960	900,612	1,419,957	2,320,569	230
2015	11,227,694	2,245,539	112,277	3,411,543	5,458,335	899,180	1,422,757	2,321,937	235
2016	11,463,746	2,292,749	114,637	3,491,822	5,564,538	896,570	1,415,357	2,311,927	241
2017	11,704,519	2,340,904	117,045	3,564,260	5,682,310	897,010	1,837,607	2,734,617	208
2018	11,950,107	2,390,021	119,501	3,638,147	5,802,437	900,310	1,832,599	2,732,909	212
2019	12,200,607	2,440,121	122,006	3,713,512	5,924,967	902,280	1,823,728	2,726,008	217
2020	12,456,117	2,491,223	124,561	3,790,384	6,049,948	898,920	1,838,678	2,737,598	221
2021	12,716,737	2,543,347	127,167	3,976,903	6,069,319	902,420	1,766,023	2,668,443	227
2022	12,982,569	2,596,514	129,826	4,058,987	6,197,243	896,400	1,770,679	2,667,079	232
2023	13,253,719	2,650,744	132,537	4,142,713	6,327,725	895,600	1,773,318	2,668,918	237
2024	13,530,291	2,706,058	135,303	4,228,113	6,460,817	901,200	1,768,940	2,670,140	242
2025	13,812,394	2,762,479	138,124	4,315,221	6,596,570	1,004,800	1,667,795	2,672,595	247
2026	14,100,140	2,820,028	141,001	4,404,072	6,735,039	1,005,400	1,660,523	2,665,923	253
2027	14,393,641	2,878,728	143,936	4,494,699	6,876,277	1,003,800	1,672,248	2,676,048	257
2028	14,692,470	2,938,494	146,925	4,586,982	7,020,069	-	2,931,322	2,931,322	239
2029	14,997,275	2,999,455	149,973	4,681,110	7,166,737	-	2,932,940	2,932,940	244
2030	15,308,177	3,061,635	153,082	4,777,121	7,316,338	-	2,932,784	2,932,784	249
2031	13,762,920	2,752,584	137,629	4,334,374	6,538,333	-	2,535,560	2,535,560	258
2032	14,049,134	2,809,827	140,491	4,423,450	6,675,366	-	2,534,417	2,534,417	263
2033	14,341,073	2,868,215	143,411	4,514,308	6,815,140	-	2,531,750	2,531,750	269
2034	14,638,850	2,927,770	146,389	4,606,983	6,957,709	-	2,591,000	2,591,000	269
2035	14,942,583	2,988,517	149,426	4,701,511	7,103,130	-	2,592,000	2,592,000	274
2036	15,252,391	3,050,478	152,524	4,797,930	7,251,459	-	1,622,250	1,622,250	447

- (1) Tax Revenues presented on a fiscal year basis (ending June 30); debt service presented on a Bond Year basis (ending the immediately following August 1) because debt service due on August 1 will be paid from tax increment collected in the previous fiscal year.
- (2) Source: Fiscal Consultant.
- (3) The Housing Set-Aside generated in the University Corridor/Sycamore Canyon Redevelopment Project is pledged to pay a portion of the debt service on the Agency's outstanding 1999A Bonds that relate to this Project Area. Approximately 20% of the debt service on the 1999A Bonds is payable from Housing Set-Aside. Consequently, the Parity Bonds Debt Service column reflects only the portion of debt service payable from Tax Revenues and not the portion payable from Housing Set-Aside.
- (4) See "SECURITY FOR THE BONDS AND THE AGENCY BONDS – Summary of Outstanding Parity Debt of Project Areas".

THE ARLINGTON REDEVELOPMENT PROJECT

General

The Arlington Redevelopment Project originally encompassed approximately 40 acres (the "**Original Area**"). Approximately 998 acres were added to the Project Area in 1999 (the "**1999 Amendment Area**") and 236 acres were added in 2003 (the "**Amendment No. 3 Area**," and together with the 1999 Amendment Area, the "**Amendment Areas**"). Tax Revenues generated in the Arlington Redevelopment Project do not include tax increment generated in sub-areas E and F of Amendment No. 3 Area because of restrictions on its use.

The current size of the Arlington Redevelopment Project is 1,274 acres and it includes primarily residential and commercial uses.

Redevelopment Plan; Redevelopment Plan Limitations

Redevelopment Plan. The City Council established the Arlington Redevelopment Project on November 28, 1978 by adoption of Ordinance No. 4619 (the "**Arlington Redevelopment Plan**"). The Arlington Redevelopment Plan was subsequently amended by:

- Ordinance No. 6193 on December 20, 1994, to comply with certain provisions of AB 1290
- Ordinance No. 6466 adopted April 13, 1999, to add the 1999 Amendment Area, and
- Ordinance No. 6685, adopted June 24, 2003, to add the Amendment No. 3 Area.
- Ordinance No. 6908, adopted October 3, 2006, pursuant to SB 1045 (see "THE PROJECT AREAS - Redevelopment Plan Limitations").
- Ordinance No. 6910, adopted October 3, 2006, pursuant to SB 1096 (see "THE PROJECT AREAS - Redevelopment Plan Limitations").

Redevelopment Plan Limitations. The \$50 million limit on tax increment established by the Arlington Redevelopment Plan only applies to the Original Area. In addition, the Arlington Redevelopment Plan establishes the final date to collect Tax Revenues from the Original Area of the Arlington Redevelopment Project as November 28, 2031; the final dates to collect tax increment in the Amendment Areas occur after the final maturity date of the Bonds. The Fiscal Consultant has calculated that the Agency would reach the cumulative tax increment limit in the Original Area of the Arlington Redevelopment Project prior to November 28, 2031 only if assessed values in the Original Area were to grow at a future annual rate of 17%. Between fiscal years 2002-03 and 2006-07, assessed values in the Original Area of the Arlington Redevelopment Project grew an average of approximately 12.3% per year.

The Arlington Redevelopment Plan establishes a limit on the total principal of any bonds that may be outstanding at any one time issued and repayable from tax increment from (i) the Original Area and the 1999 Amendment Area, collectively (\$75 million) and (ii) Amendment No. 3 Area. As of August 2, 2006, there was \$10.64 million principal amount of bonds outstanding payable from tax increment generated in the Arlington Redevelopment Project, including the outstanding 2004 A and 2004 B Bonds (\$7.275 million) and another series of outstanding bonds payable in part from Housing Set-Aside in the Arlington Redevelopment Project.

The Agency has covenanted in the Agency Bonds Indenture relating to the Arlington Redevelopment Project to take certain actions that are designed to ensure that, notwithstanding the cumulative tax increment limit, there will be sufficient Tax Revenues to pay debt service on the related Agency Bonds when due. See “THE UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT – Redevelopment Plan; Redevelopment Plan Limitations” for a summary of the covenant in the Agency Bonds Indenture relating to the University Corridor/Sycamore Canyon Merged Redevelopment Project, which is identical to the covenant relating to the Arlington Redevelopment Project.

Land Use in the Arlington Redevelopment Project

The largest land use in the Arlington Redevelopment Project in terms of assessed value is residential with commercial following. The table below shows the land use in the Arlington Redevelopment Project, based on fiscal year 2006-07 assessed valuation. The table excludes sub-areas E and F of the Amendment No. 3 Area because of restrictions on the expenditures of tax increment generated in those sub-areas.

Table 7
ARLINGTON REDEVELOPMENT PROJECT
Land Use; Fiscal Year 2006-07 ⁽¹⁾

Category of Value	# of Parcels	FY 2006-07 Value	% of Total
Residential	1,193	\$300,853,915	40.84%
Commercial	239	215,598,481	29.27
Industrial	15	35,463,566	4.81
Recreational	2	4,800,000	0.65
Institutional	22	31,043,604	4.21
Vacant Land	235	32,417,960	4.40
SBE (2)	6	404,411	0.05
Possessory Interest (2)	6	8,407,727	1.14
Unsecured (2)	580	68,991,585	9.37
Miscellaneous	-	0	0.00
Unknown	336	38,628,380	5.24
Total	2,042	\$736,609,629	100.00%

(1) The table excludes sub-areas E and F of the Amendment No. 3 Area because of restrictions on the expenditures of tax increment generated in those sub-areas.

(2) Indicates the number of assessments in this category but actually represents duplicate parcels.

Source: DHA Consulting; compiled from Riverside County Assessment Records.

Historic Assessed Valuation

Over the last two years, the values reported by the County for the Arlington Redevelopment Project have increased by over 15% per year. These increases are largely the result of new residential construction as well as residential resales. In fiscal year 2004-05, the value increased over the prior year by \$100 million, or over 28%. A portion of the increase is the result of a number of property transfers and new construction, primarily residential in nature. The majority of the fiscal year 2004-05 increase (\$116.7 million) is the result of adding the fiscal year 2004-05 value of the Amendment No. 3 Area to the Project Area totals. When a newly-formed area is added to an existing project area, the base year value also increases. In the case of the 2003 addition of the Amendment No. 3 Area, the base year value of the Arlington Redevelopment Project increased by \$62.7 million (.). All of the information provided in this paragraph excludes sub-areas E and F of Amendment No. 3 Area.

The table below shows a six-year history of assessed valuation in the Arlington Redevelopment Project. The base year assessed valuation for the Arlington Redevelopment Project is \$368,693,505. The table excludes the assessed value of sub-areas E and F of Amendment No. 3 Area because of restrictions on the expenditures of tax increment generated in those sub-areas.

Table 8
ARLINGTON REDEVELOPMENT PROJECT
Historic Assessed Valuation ⁽¹⁾

Fiscal Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Secured	\$325,608,730	\$337,954,194	\$373,292,262	\$476,231,200	\$555,916,137	\$667,213,633
SBE	529,811	481,672	436,198	417,974	425,032	404,411
Unsecured	30,366,581	35,441,009	36,493,826	50,251,900	58,011,459	68,991,585
Total Value	\$356,505,122	\$373,876,875	\$410,222,286	\$526,901,074	\$614,352,628	\$736,609,629
% Change	--	4.87	9.72%	28.44%	16.60%	19.90%

(1) The table excludes sub-areas E and F of the Amendment No. 3 Area because of restrictions on the expenditures of tax increment generated in those sub-areas.

Source: DHA Consulting; compiled from Riverside County Assessment Records.

Table 6.1 of the Fiscal Consultant's Report shows, for fiscal year 2006-07, assessed value and projected tax revenue in the Original Area and the Amendment Areas of the Arlington Redevelopment Project (excluding sub-areas E and F of the Amendment No. 3 Area). See "APPENDIX A - FISCAL CONSULTANT REPORT – Table 6.1".

Largest Taxpayers in the Arlington Redevelopment Project

The following table shows the ten largest taxpayers in the Arlington Redevelopment Project (based on the fiscal year 2006-07 tax roll). For a breakout of each taxpayer's secured value and unsecured value, see "APPENDIX A - FISCAL CONSULTANT REPORT – Table 3.1".

Table 9
ARLINGTON REDEVELOPMENT PROJECT
Largest Property Taxpayers
Fiscal Year 2006-07

Assessee Name	Sub-area ⁽¹⁾	Use	# of Parcels	FY 2006-07 Total	% of Total AV ⁽²⁾	% of Incremental AV ⁽²⁾
Mept 501 Inc ⁽³⁾	Arlington/1999	Multi-family Residential Home Impr.	1	\$ 47,029,281	6.4	12.8%
Lowes HIW Inc	Arlington/1999	Store/Center	3	18,542,501	2.5	5.0
Wal Mart Real Estate Business ⁽⁴⁾	Arlington/1999	Store/Center Discount	2	14,943,791	2.0	4.0
Kensington Van Buren Fleetwood Enterprises Inc	Arlington/1999	Commercial	2	14,866,500	2.0	4.0
D R Horton Los Angeles Holding	Arlington/1999	Manufacturing For-Sale	3	14,028,788	1.9	3.8
Aanesson Stonewood Apartments	Arlington/2003	Residential	131	13,411,172	1.8	3.6
Smiths Food & Drug Center	Arlington/1999	Multi-family Residential Grocery	2	12,866,090	1.7	3.5
ACC Riverside	Arlington/1999	Store/Center	1	10,189,377	1.4	2.8
MBK Home LTD	Arlington/2003	Commercial For-Sale	7	9,800,000	1.3	2.7
	Arlington/1999	Residential	98	9,633,868	1.3	2.6
Total			250	\$165,311,368	22.4%	44.9%
				Total Project Area Value	\$736,609,629	
				Total Project Area	Incremental Value	
					\$367,916,124	

(1) The table excludes sub-areas E and F of the Amendment No. 3 Area because of restrictions on the expenditures of tax increment generated in those sub-areas.

(2) Numbers may not add because of rounding.

(3) Value includes the value of the property formerly owned by Fairfield Van Buren, plus property owned by Mept 501 Inc. in fiscal year 2005-06.

(4) An assessed value appeal has been filed by this property owner. See Table 5.1 of the Fiscal Consultant Report.

Source: DHA Consulting; compiled from Riverside County Assessment Records.

The top five property taxpayers in fiscal year 2006-07 accounted for approximately 14.8% of the total assessed value in the Arlington Redevelopment Project in fiscal year 2006-07. The following is a brief description of the top five taxpayers and their activities in the Arlington Redevelopment Project:

Mept 501 Inc.: MEPT 501 Inc. is owner of a 256-unit, three-story multi-family residential for-rent apartment community, which was constructed in 2004 by the previous owner. The market-rate apartments are situated on 13.31 acres on Van Buren Avenue, south of State Route 91.

Lowe's HIW, Inc. The Arlington Redevelopment Project was expanded during 1999 to include an additional 1,000 acres encompassing the former site of the Riverside General Hospital. The City has worked closely with Riverside County to develop the old hospital site, which has constructed a mixed commercial and retail development including restaurants and a Lowe's home improvement center. Lowe's encompasses a total of 12 acres on Magnolia Avenue.

Wal Mart Real Estate. The largest discount retail company in the US, Wal Mart built a 125,827 square foot store on 14 acres on Van Buren Blvd. in 1999, bringing 315 new service jobs to the Riverside/Arlington area.

Kensington Van Buren. Kensington Van Buren is owner of the Van Buren Plaza, located at 5600 Van Buren Boulevard. Built in 1954, the shopping center is comprised of 36,920 square feet of combined out-pad and in-line retail space on 4.5 acres. Recent property improvements include resurfaced parking lot, new landscaping and updated façade. Primary tenants include Dollar Tree, Payless Shoesource, Fantastic Sam's, and NAPA Auto Parts.

Fleetwood Enterprises. Fleetwood Enterprises is a leading US maker of RVs, and a leading maker of manufactured housing. One of Riverside's largest manufacturers, it employs 13,800 workers nationwide, does over \$2 million in annual sales, and is located on over 40 acres in the Arlington Redevelopment Project.

New Development

The following projects are either in the entitlement process, have had substantial site work or have contracts approved for construction. The Fiscal Consultant **did not** reflect the anticipated value of these projects in its tax increment projection for the Project Area.

California Square Shopping Center

Description: Redevelopment of a 1950s-era neighborhood shopping center. Site clearance is well underway, and documents have been executed to allow redevelopment of the older neighborhood shopping center site. Plans include 94,000 square feet of retail and restaurants, including a renovated and expanded Maxi Foods grocery. The City is investing significantly in canal covering, Monroe Street widening and public landscaping

Parcel: 7.5 acres

Status: Construction start: Summer 2007

Madison Plaza

Description: Redevelopment of an existing Bally's/Denny's anchored, largely-vacant site. Clearing of existing structures and construction of a 115,000 sq. ft. 5-story class A office building and 3-level parking garage, and 52,000 sq. ft. of ancillary buildings including a new Bally's fitness center, new Denny's restaurant, and new multi-tenant pad building

Parcel: 8.52 acres

Status: Construction start: Spring 2007

Appeals in the Arlington Redevelopment Project

There are currently 17 appeal requests on record with the County for property in the Arlington Redevelopment Project, which, along with resolved appeals not yet reflected in the assessment rolls, the Fiscal Consultant estimates could decrease the Arlington Redevelopment Project value by approximately \$6.1 million. Based on historical success rates, the Fiscal Consultant has assumed that the resolution of the outstanding appeals will result in a 15% reduction in assessed value on these parcels, on average, for the Arlington Redevelopment Project.

For specific information about pending and settled appeals in the Arlington Redevelopment Project, see "APPENDIX A – FISCAL CONSULTANT REPORT– Table 5.1".

Tax Sharing Obligations

The Agency has not entered into any agreements pursuant to which it has pledged tax increment generated in the Arlington Redevelopment Project.

However, the Arlington Redevelopment Project is subject to Statutory Tax Sharing under AB 1290. **The Agency has completed proceedings for the subordination of the Statutory Tax Sharing payments to the payment of debt service on the Agency Bonds.**

Projection of Tax Revenues and Estimated Coverage

The following table details projected Tax Revenues in the Arlington Redevelopment Project. The projections start with estimated fiscal year 2006-07 assessed values and then utilize the following assumptions:

Tax Rate: The projections assume a 1.0% tax rate, although the current tax rate in the Redevelopment Project is 1.00520%.

Assessed Value: The projections utilize fiscal year 2006-07 assessed values as reported by the County as the baseline value.

Inflation Rate: In California, real property values (land and improvements) are subject to an annual inflationary increase, as allowed under Proposition 13. The projection table assumes, with respect to secured and unsecured property, a 2.0% inflation factor in fiscal year 2007-08 and thereafter. See "BOND OWNERS' RISK - Reduction in Inflationary Rate and Changes in Legislation." Assessed values of personal property and state-assessed (non-unitary property) are assumed to remain at their estimated fiscal year 2006-07 levels.

Property Transfers: The projections do not assume there will be any impact from property transfers after August 31, 2006, but assumes \$11,377,578 of increased assessed values as a result of transfers between January 1, 2006 and August 31, 2006.

New Development: The projections include in the fiscal year 2007-08 and 2008-09 values the projected value of (i) new construction that was underway and (ii) new construction that had been completed but had not been reflected on the tax rolls (\$42,425,000), in each case as of December 31, 2006. See Table 8.1 of the Fiscal Consultant Report for a list of the new development incorporated in the projections.

Appeals: The projections assume assessed values are reduced in fiscal year 2007-08 as a result of the resolution of pending appeals. For the Arlington Redevelopment Project, it is assumed that the resolution of outstanding appeals will result in a 15% assessed value reduction with respect to the properties filing these appeals. Refunds related to the resolution of these appeals have not been incorporated into the revenue projections because it is the County's practice to hold redevelopment agencies harmless in the event of refunds.

Housing Set-Aside: The projections assume 20% of Tax Increment generated in the Project Area will be deducted as part of the calculation of Tax Revenues.

County Administrative Charge. The projections assume a County administrative charge equal to 1% of gross tax increment generated in the Arlington Redevelopment Project will be deducted as part of the calculation of Tax Revenues.

Tax-Sharing Obligations: The projections assume there are no payment obligations under negotiated agreements secured by tax increment generated in the Arlington Redevelopment Project, and that the Statutory Tax Sharing payments are subordinate to debt service on the Agency Bonds and the outstanding Parity Bonds.

Table 10
ARLINGTON REDEVELOPMENT PROJECT
Projected Tax Revenue and
Estimated Debt Service Coverage

Year ⁽¹⁾	Gross Tax Revenue ⁽²⁾	Less Housing Set-Aside ⁽²⁾	Less County Admin Charge ⁽²⁾	Tax Revenues ⁽²⁾	Outstanding Parity Bonds Debt Service ⁽³⁾	2007 Series D-1 and D-2 Debt Service	Total Parity Debt Service	Estimated Coverage
2007	\$3,681,419	\$736,284	\$36,814	\$2,908,321	\$495,605	\$301,573	\$797,178	365%
2008	4,206,838	841,368	42,068	3,323,402	493,860	1,228,074	1,721,934	193
2009	4,432,572	886,514	44,326	3,501,732	496,840	1,224,974	1,721,814	203
2010	4,581,493	916,299	45,815	3,619,379	494,355	1,231,350	1,725,705	210
2011	4,735,140	947,028	47,351	3,740,761	491,510	1,231,678	1,723,188	217
2012	4,891,860	978,372	48,919	3,864,570	493,390	1,231,220	1,724,610	224
2013	5,051,715	1,010,343	50,517	3,990,855	494,805	1,229,976	1,724,781	231
2014	5,214,766	1,042,953	52,148	4,119,665	490,755	1,232,946	1,723,701	239
2015	5,381,079	1,076,216	53,811	4,251,052	491,345	1,234,868	1,726,213	246
2016	5,550,718	1,110,144	55,507	4,385,067	491,070	1,230,742	1,721,812	255
2017	5,723,750	1,144,750	57,237	4,521,762	490,245	1,235,830	1,726,075	262
2018	5,900,242	1,180,048	59,002	4,661,191	493,915	1,229,608	1,723,523	270
2019	6,080,264	1,216,053	60,803	4,803,409	491,805	1,229,870	1,721,675	279
2020	6,263,887	1,252,777	62,639	4,948,471	489,145	1,233,659	1,722,804	287
2021	6,451,182	1,290,236	64,512	5,096,434	490,935	1,230,682	1,721,617	296
2022	6,642,223	1,328,445	66,422	5,247,356	491,945	1,231,232	1,723,177	305
2023	6,837,085	1,367,417	68,371	5,401,297	492,175	1,230,015	1,722,190	314
2024	7,035,844	1,407,169	70,358	5,558,316	491,580	1,232,031	1,723,611	322
2025	7,238,578	1,447,716	72,386	5,718,476	490,205	1,231,985	1,722,190	332
2026	7,445,367	1,489,073	74,454	5,881,840	489,930	1,235,485	1,725,415	341
2027	7,656,291	1,531,258	76,563	6,048,470	488,950	1,235,000	1,723,950	351
2028	7,871,434	1,574,287	78,714	6,218,433	487,265	1,238,500	1,725,765	360
2029	8,090,880	1,618,176	80,909	6,391,795	414,875	1,310,425	1,725,300	370
2030	8,314,715	1,662,943	83,147	6,568,625	415,070	1,307,625	1,722,695	381
2031	8,543,027	1,708,605	85,430	6,748,991	414,560	1,308,250	1,722,810	392
2032	8,464,318	1,692,864	84,643	6,686,812	413,345	1,177,500	1,590,845	420
2033	8,695,289	1,739,058	86,953	6,869,278	416,425	1,176,000	1,592,425	431
2034	8,930,878	1,786,176	89,309	7,055,394	413,565	1,177,500	1,591,065	443
2035	9,171,180	1,834,236	91,712	7,245,232	-	1,591,750	1,591,750	455
2036	9,416,287	1,883,257	94,163	7,438,867	-	1,593,000	1,593,000	467
2037	9,666,296	1,933,259	96,663	7,636,374	-	1,590,750	1,590,750	480

- (1) Tax Revenues presented on a fiscal year basis (ending June 30); debt service presented on a Bond Year basis (ending the immediately following August 1) because debt service due on August 1 will be paid from tax increment collected in the previous fiscal year.
- (2) Source: Fiscal Consultant.
- (3) See "SECURITY FOR THE BONDS AND THE AGENCY BONDS – Summary of Outstanding Parity Debt of Project Areas".

THE HUNTER PARK/NORTHSIDE REDEVELOPMENT PROJECT

General

The Hunter Park/Northside Redevelopment Project was formed in June 2003 and includes 2,636 acres. Working with a Project Area Committee, the Agency approved a Redevelopment Plan that sets goals for preserving and enhancing neighborhoods, encouraging investment and development, promoting new and diverse employment, promoting expansion of the area's industrial and commercial bases and providing new or improved public facilities and infrastructure.

Consistent with this last goal, the City formed the Hunter Park Assessment District to help finance approximately \$13 million of necessary infrastructure improvements within Hunter Park. Planned improvements include construction of new curbs, gutters and sidewalks, construction of a storm drain system, street widening, relocation of utility poles, realignment of a portion of Marlborough Avenue, and realignment and signalization of railroad crossings at Marlborough Avenue. Improvements began in 2005. The Agency is expected to contribute approximately \$500,000 towards street improvements at key locations.

Development of new residential opportunities within the Hunter Park/Northside Redevelopment Project remains a priority of the Agency.

Redevelopment Plan; Redevelopment Plan Limitations

The City Council established the Hunter Park/Northside Redevelopment Project on June 24, 2003 by adoption of Ordinance No. 6686 (the "**Hunter Park/Northside Redevelopment Plan**"). The Hunter Park/Northside Redevelopment Plan was subsequently amended by Ordinance No. 6906 adopted on October 3, 2006, pursuant to SB 1045 (see "THE PROJECT AREAS - Redevelopment Plan Limitations"). This Project Area is not subject to a cumulative tax increment limit.

Land Use in the Hunter Park/Northside Redevelopment Project

The largest land use in the Hunter Park/Northside Redevelopment Project in terms of assessed value is industrial and residential with commercial following. The table below shows the land use in the Hunter Park/Northside Redevelopment Project, based on fiscal year 2006-07 assessed valuation.

Table 11
HUNTER PARK/NORTHSIDE REDEVELOPMENT PROJECT
Land Use; Fiscal Year 2006-07

Category of Value	# of Parcels	FY 2006-07 Value	% of Total
Residential	2,035	\$365,798,891	30.90%
Commercial	95	180,306,149	15.23
Industrial	276	387,669,980	32.74
Recreational	-	-	0.00
Institutional	7	3,331,059	0.28
Vacant Land	470	63,682,975	5.38
SBE (1)	29	1,316,130	0.11
Possessory Interest (1)	4	69,554	0.01
Unsecured (1)	635	141,046,499	11.91
Miscellaneous	-	-	0.00
Unknown	380	40,739,461	3.44
Total	3,263	\$1,183,960,698	100.00%

(1) Indicates the number of assessments in this category but actually represents duplicate parcels.
Source: DHA Consulting; compiled from Riverside County Assessment Records.

Historic Assessed Valuation

The base year for the Hunter Park/Northside Redevelopment Project is fiscal year 2002-03 and the project first received tax increment revenues in fiscal year 2004-05. Growth has averaged approximately 14.5% annually since the Project Area was adopted in fiscal year 2002-03. This growth is primarily attributable to substantial new industrial development.

The table below shows a five-year history of assessed valuation in the Hunter Park/Northside Redevelopment Project. The base year assessed valuation for the Hunter Park/Northside Redevelopment Project is \$748,718,458.

Table 12
HUNTER PARK/NORTHSIDE REDEVELOPMENT PROJECT
Historic Assessed Valuation

Fiscal Year	2002-03	2003-04 (1)	2004-05	2005-06	2006-07
Secured	\$ 629,851,866	\$ 652,134,019	\$731,048,569	\$822,503,019	\$1,041,598,069
SBE	1,448,186	N/A	1,427,596	1,423,850	1,316,130
Unsecured	117,418,406	118,890,392	133,085,304	127,505,556	141,046,499
Total Value	\$ 748,718,458	\$ 771,024,411	\$ 865,561,469	\$ 951,432,425	\$ 1,183,960,698
% Change	N/A	2.98%	12.26%	9.92%	24.44%

(1) Assessed values in fiscal year 2003-04 represent "unofficial" values totaled by parcel and may be slightly understated/overstated.

Source: DHA Consulting; compiled from Riverside County Assessment Records.

Table 6.2 of the Fiscal Consultant's Report shows, for fiscal year 2006-07, assessed value and projected tax revenue in the Hunter Park/Northside Redevelopment Project. See "APPENDIX A - FISCAL CONSULTANT REPORT – Table 6.2".

Largest Taxpayers in the Hunter Park/Northside Redevelopment Project

The following table shows the ten largest taxpayers in the Hunter Park/Northside Redevelopment Project (based on the fiscal year 2006-07 tax roll). For a breakout of each taxpayer's secured value and unsecured value, see "APPENDIX A - FISCAL CONSULTANT REPORT – Table 3.2".

Table 13
HUNTER PARK/NORTHSIDE REDEVELOPMENT PROJECT
Largest Property Taxpayers

Assessee Name	Use	# of Parcels	FY 2006-07 Total	% of Total ⁽¹⁾	% of Incremental AV ⁽¹⁾
The Koll Company	Commercial/Industrial	8	\$ 40,644,995	3.4%	9.3%
Operating Engineers Fund	Commercial/Industrial	17	24,250,521	2.0	5.6
Troy Coolidge No. 3	Commercial/Industrial	1	23,760,899	2.0	5.5
Citrus Lewis Partnership	Commercial/Industrial	5	22,319,038	1.9	5.1
Rustin Avenue Investors	Commercial/Industrial	1	21,363,961	1.8	4.9
Luxfur	Industrial	1	18,435,024	1.6	4.2
KB Home Coastal Inc	Residential/Vacant	72	14,931,219	1.3	3.4
Magnon Group/Ray Magnon	Commercial	5	14,614,674	1.2	3.4
Blue Mountain - One and Two	Commercial	5	13,535,590	1.1	3.1
Bourns Inc	Industrial	1	13,231,952	1.1	3.0
Total Majors		116	\$207,087,873	17.5%	47.6%
			Total Project Area Value	\$1,183,960,698	
			Total Project Area Incremental Value	\$435,242,240	

(1) Numbers may not add because of rounding.

Source: DHA Consulting; compiled from Riverside County Assessment Records.

The largest taxpayer, the Koll Company, owns and manages the Riverside Technology Business Park, which consists of an approximately 25-year-old, 18-building master-planned multiple-tenant business park containing a total of approximately 481,083 square feet on 27 acres; the Business Park is located at the southeast corner of Chicago and Marlborough Avenues. As of January 2007, the occupancy rate was 91% according to the Koll Company.

New Development

The following projects are either in the entitlement process, have had substantial site work or have contracts approved for construction. Except as noted below, the Fiscal Consultant **did not** reflect the anticipated value of these projects in its tax increment projection for the Project Area.

Palmyrita Business & Distribution Center (identified as the Columbia Business Center in the Fiscal Consultant Report)

Description: Industrial and service buildings from 2,801 to 99,174 square feet at Palmyrita Avenue between Northgate and Gage Canal

Bldg. Sq. Ft.: Up to 1.4 million at full completion

Status: Since 2004, nearly 1 million square feet of industrial space has been constructed in this business park, and an additional 300,000 to 400,000 sq. ft. may be added at a future time. The Fiscal Consultant Report includes in the revenue estimates two buildings, totaling 360,000 sq. ft., which were completed prior to December 2006.

Columbia Office Project

Description: Office buildings at 545 Columbia Avenue

Bldg. Sq. Ft.: 152,800

Status: Construction start: Fall 2006

University Research Park

Description: Build-to-suite office building at Research Park Drive and Columbia Avenue

Bldg. Sq. Ft.: 45,000

Status: Construction start: Fall 2006

The Grove

Description: Industrial buildings located at Columbia Avenue and Iowa Street

Bldg. Sq. Ft.: Up to 350,000 square feet at full completion

Status: Construction began Fall 2006 on 150,000 sq. ft.; four additional 50,000 sq. ft. buildings are anticipated to be constructed over the next three to five years. The Fiscal Consultant Report includes in its revenue estimates three buildings totaling 150,000 sq. ft.

Appeals in the Hunter Park/Northside Redevelopment Project

There are currently 9 appeal requests on record with the County for property in the Hunter Park/Northside Redevelopment Project, which, along with resolved appeals not yet reflected in the assessment rolls, the Fiscal Consultant estimates could decrease the Hunter Park/Northside Redevelopment Project value by approximately \$1.57 million. Based on historical success rates, the Fiscal Consultant has assumed that the resolution of the outstanding appeals will result in a 10% reduction in assessed value on these parcels, on average, for the Hunter Park/Northside Redevelopment Project.

For specific information about pending and settled appeals in the Hunter Park/Northside Redevelopment Project, see "APPENDIX A – FISCAL CONSULTANT REPORT– Table 5.2".

Tax Sharing Obligations

The Agency has not entered into any agreements pursuant to which it has pledged tax increment generated in the Hunter Park/Northside Redevelopment Project.

However, the Hunter Park/Northside Redevelopment Project is subject to Statutory Tax Sharing under AB 1290. **The Agency has completed proceedings for the subordination of the Statutory Tax Sharing payments to the payment of debt service on the Agency Bonds.**

Projection of Tax Revenues and Estimated Coverage

The following table details projected Tax Revenues in the Hunter Park/Northside Redevelopment Project. The projections start with estimated fiscal year 2006-07 assessed values and then utilize the following assumptions:

Tax Rate: The projections assume a 1.0% tax rate, although the current tax rate in the Redevelopment Project is 1.00520%.

Assessed Value: The projections utilize fiscal year 2006-07 assessed values as reported by the County as the baseline value.

Inflation Rate: In California, real property values (land and improvements) are subject to an annual inflationary increase, as allowed under Proposition 13. The projection table assumes, with respect to secured and unsecured property, a 2.0% inflation factor in fiscal year 2007-08 and thereafter. See "BOND OWNERS' RISK - Reduction in Inflationary Rate and Changes in Legislation." Assessed values of personal property and state-assessed (non-unitary property) are assumed to remain at their estimated fiscal year 2006-07 levels.

Property Transfers: The projections do not assume there will be any impact from property transfers after August 31, 2006, but assumes \$16,100,000 of increased assessed values as a result of transfers between January 1, 2006 and August 31, 2006.

New Development: The projections include in the fiscal year 2007-08 through 2009-10 values the projected value of (i) new construction that was underway and (ii) new construction that had been completed but had not been reflected on the tax rolls (\$103,700,000), in each case as of December 31, 2006. See Table 8.2 of the Fiscal Consultant Report for a list of the new development incorporated in the projections.

Appeals: The projections assume assessed values are reduced in fiscal year 2007-08 as a result of the resolution of pending appeals. For the Hunter Park/Northside Redevelopment Project, it is assumed that the resolution of outstanding appeals will result in a 10% assessed value reduction with respect to the properties filing these appeals. Refunds related to the resolution of these appeals have not been incorporated into the revenue projections because it is the County's practice to hold redevelopment agencies harmless in the event of refunds.

Housing Set-Aside: The projections assume 20% of Tax Increment generated in the Project Area will be deducted as part of the calculation of Tax Revenues.

County Administrative Charge. The projections assume a County administrative charge equal to 1% of gross tax increment generated in the Hunter Park/Northside Redevelopment Project will be deducted as part of the calculation of Tax Revenues.

Tax-Sharing Obligations: The projections assume there are no payment obligations under negotiated agreements secured by tax increment generated in the Hunter Park/Northside Redevelopment Project, and that the Statutory Tax Sharing payments are subordinate to debt service on the Agency Bonds.

Table 14
HUNTER PARK/NORTHSIDE REDEVELOPMENT PROJECT
Projected Tax Revenue and
Estimated Debt Service Coverage

Year ⁽¹⁾	Gross Tax Revenue ⁽²⁾	Less Housing Set-Aside ⁽²⁾	Less County Admin Charge ⁽²⁾	Tax Revenues ⁽²⁾	2007 Series E-1 and E-2 Debt Service	Estimated Coverage
2007	\$4,353,551	\$870,710	\$43,536	\$3,439,306	\$359,101	958%
2008	5,258,711	1,051,742	52,587	4,154,382	1,554,653	267
2009	5,830,197	1,166,039	52,302	4,611,856	1,554,217	297
2010	6,219,925	1,243,985	62,199	4,913,741	1,552,733	316
2011	6,473,321	1,294,664	64,733	5,113,924	1,554,975	329
2012	6,734,747	1,346,949	67,347	5,320,451	1,554,225	342
2013	7,001,402	1,400,280	70,014	5,531,108	1,555,625	356
2014	7,273,390	1,454,678	72,734	5,745,978	1,556,225	369
2015	7,550,818	1,510,164	75,508	5,965,146	1,556,025	383
2016	7,833,794	1,566,759	78,338	6,188,697	1,555,025	398
2017	8,122,430	1,624,486	81,224	6,416,720	1,552,775	413
2018	8,416,839	1,683,368	84,168	6,649,303	1,554,275	428
2019	8,717,136	1,743,427	87,171	6,886,538	1,554,275	443
2020	9,023,439	1,804,688	90,234	7,128,517	1,552,775	459
2021	9,335,867	1,867,173	93,359	7,375,335	1,554,775	474
2022	9,654,545	1,930,909	96,545	7,627,091	1,555,025	490
2023	9,979,596	1,995,919	99,796	7,883,881	1,553,525	507
2024	10,311,148	2,062,230	103,111	8,145,807	1,555,275	524
2025	10,649,331	2,129,866	106,493	8,412,972	1,555,025	541
2026	10,994,277	2,198,855	109,943	8,685,479	1,552,775	559
2027	11,346,123	2,269,225	113,461	8,963,437	1,552,950	577
2028	11,705,005	2,341,001	117,050	9,246,954	1,556,325	594
2029	12,071,065	2,414,213	120,711	9,536,141	1,552,675	614
2030	12,444,447	2,488,889	124,444	9,831,114	1,552,225	633
2031	12,825,296	2,565,059	128,253	10,131,984	1,554,750	652
2032	13,213,762	2,642,752	132,138	10,438,872	1,554,500	672
2033	13,609,997	2,721,999	136,100	10,751,898	1,556,500	691
2034	14,014,157	2,802,831	140,142	11,071,184	1,555,500	712
2035	14,426,400	2,885,280	144,264	11,396,856	1,551,500	735
2036	14,846,888	2,969,378	148,469	11,729,041	1,554,500	755
2037	15,275,786	3,055,157	152,758	12,067,871	1,554,000	777

- (1) Tax Revenues presented on a fiscal year basis (ending June 30); debt service presented on a Bond Year basis (ending the immediately following August 1) because debt service due on August 1 will be paid from tax increment collected in the previous fiscal year.
- (2) Source: Fiscal Consultant.

THE LA SIERRA/ARLANZA REDEVELOPMENT PROJECT

General

The La Sierra/Arlanza Redevelopment Project was adopted on July 13, 2004 to include 8,066 acres and then amended in 2005 to delete 1,305 acres and again in 2006 to delete 337 acres. The size of the La Sierra/Arlanza Redevelopment Project, after adjusting for the two amendments is approximately 6,425 acres. Primary goals of the redevelopment plan include efforts to preserve and enhance existing neighborhoods, promote job creation, and provide improved and new community facilities.

To begin implementing these goals, the Agency is actively focusing economic revitalization efforts in two primary commercial areas within the La Sierra/Arlanza Redevelopment Project. The 5 Points area, located at La Sierra Avenue, Pierce, and Hole Streets, serves as a major entryway to La Sierra University and the City's new Riverwalk mixed-use development, but this area has suffered neglect over the years. Park Sierra, comprised of approximately 40 acres located at the corner of the 91 Freeway, La Sierra Avenue and Magnolia Boulevard, is a major entryway to the City, but also has seen little private investment. Agency efforts will include working with local property owners, businesses and developers to promote renewal in these areas.

Other Agency efforts include continuing to work closely with General Growth Corporation to facilitate the planned expansion of the Galleria at Tyler. See "Largest Taxpayers in the La Sierra/Arlanza Redevelopment Project" below.

Redevelopment Plan; Redevelopment Plan Limitations

The City Council established the La Sierra/Arlanza Redevelopment Project on July 13, 2004 by adoption of Ordinance No. 6739 (the "**La Sierra/Arlanza Redevelopment Plan**"). The La Sierra/Arlanza Redevelopment Plan was subsequently amended by:

- Ordinance No. 6828 adopted on October 18, 2005, to delete approximately 1,300 acres.
- Ordinance No. 6892 adopted on July 25, 2006, to delete approximately 300 acres.

This Project Area is not subject to a cumulative tax increment limit. See "THE PROJECT AREAS – Redevelopment Plan Limitations."

Land Use in the La Sierra/Arlanza Redevelopment Project

The largest land use in the La Sierra/Arlanza Redevelopment Project in terms of assessed value is residential with commercial following. The table below shows the land use in the La Sierra/Arlanza Redevelopment Project, based on fiscal year 2006-07 assessed valuation.

Table 15
LA SIERRA/ARLANZA REDEVELOPMENT PROJECT
Land Use; Fiscal Year 2006-07

Category of Value	# of Parcels	FY 2006-07 Value (2)	% of Total
Residential	9,400	\$2,166,546,940	63.88%
Commercial	291	524,653,942	15.47
Industrial	125	136,121,510	4.01
Recreational	7	21,557,072	0.64
Institutional	55	56,883,723	1.68
Vacant Land	708	97,187,544	2.87
SBE (1)	9	686,997	0.02
Possessory Interest (1)	243	12,679,169	0.37
Unsecured (1)	1,190	155,377,019	4.58
Miscellaneous	10	8,086,936	0.24
Unknown	1,957	211,712,860	6.24
Total	12,553	\$3,391,493,712	100.00%

(1) Indicates the number of assessments in this category but actually represents duplicate parcels.

(2) Includes values and categories attributable to the 2006 deletion area, which deduction will not be effective until fiscal year 2007-08. See Table 8.3.2 in the Fiscal Consultant Report for the value of the area deleted.

Source: DHA Consulting; compiled from Riverside County Assessment Records.

Historic Assessed Valuation

The base year for the La Sierra/Arlanza Redevelopment Project is fiscal year 2003-04 and the Redevelopment Project first received tax increment revenues in fiscal year 2005-06. Growth has averaged more than 10% per year in each year since fiscal year 2003-04, despite the fact that the values shown for the La Sierra/Arlanza Redevelopment Project for fiscal years 2005-06 and 2006-07 reflect the deletion of territory as a result of the 2005 amendment. The growth in La Sierra is the result of a number of factors including property transfers and new residential/commercial construction.

The table below shows a five-year history of assessed valuation in the La Sierra/Arlanza Redevelopment Project. The base year assessed valuation for the La Sierra/Arlanza Redevelopment Project is \$2,284,421,483. The assessed values shown below have been reduced, if applicable, from amounts reported to reflect the impact on assessed values of the elimination of property from the 2005 amendment, but not the 2006 amendment, which the Fiscal Consultant reports has a fiscal year 2006-07 assessed value of \$63,826,879 (see Table 8.3.2 of the Fiscal Consultant Report). The Fiscal Consultant reports the base year value will be reduced by \$49,017,109 to \$2,235,404,374 as a result of the two deletions.

Table 16
LA SIERRA/ARLANZA REDEVELOPMENT PROJECT
Historic Assessed Valuation (1)

Fiscal Year	2002-03 ⁽²⁾	2003-04	2004-05 ⁽²⁾	2005-06	2006-07
Secured	\$ 2,043,692,291	\$2,144,553,266	\$ 2,508,564,729	\$2,908,600,913	\$3,235,429,696
SBE	N/A	735,848	N/A	0	686,997
Unsecured	121,449,819	139,132,369	136,363,048	180,291,845	155,377,019
Total Value	2,165,142,110	2,284,421,483	2,644,927,777	3,088,892,758	3,391,493,712
% Change	N/A	5.51%	15.78%	16.79%	9.80%

(1) The assessed values shown in the table have been reduced, if applicable, from amounts reported to reflect the impact on assessed values of the elimination of property from the 2005 amendment, but not the 2006 amendment, which the Fiscal Consultant reports has a fiscal year 2006-07 assessed value of \$63,826,879 (see Table 8.3.2 of the Fiscal Consultant Report).

(2) Assessed values shown for fiscal years 2002-03 and 2004-05 represent values totaled by the Fiscal Consultant rather than values reported by the County.

Source: DHA Consulting; compiled from Riverside County Assessment Records.

Table 6.3 of the Fiscal Consultant's Report shows, for fiscal year 2006-07, assessed value and projected tax revenue in the La Sierra/Arlanza Redevelopment Project. See "APPENDIX A - FISCAL CONSULTANT REPORT – Table 6.3".

Largest Taxpayers in the La Sierra/Arlanza Redevelopment Project

The following table shows the ten largest taxpayers in the La Sierra/Arlanza Redevelopment Project (based on the fiscal year 2006-07 tax roll). For a breakout of each taxpayer's secured value and unsecured value, see "APPENDIX A - FISCAL CONSULTANT REPORT – Table 3.3". None of the ten largest taxpayers are in the territory deleted from the La Sierra/Arlanza Redevelopment Project.

Table 17
LA SIERRA/ARLANZA REDEVELOPMENT PROJECT
Largest Property Taxpayers (1)

Assessee Name	Use	# of Parcels	FY 2006-07 Total	% of Total ⁽³⁾	% of Incremental AV ⁽³⁾
Tyler Mall Ltd Partnership	Regional Mall	8	\$147,310,713	4.3%	13.3%
BRE Prop Inc	Multifamily Residential	2	76,250,840	2.2	6.9
Kaiser Foundation Hospitals	Hospital	3	46,128,114	1.4	4.2
Stremicks Heritage Foods LLC	Industrial	1	29,649,533	0.9	2.7
River Oaks Realty	For-Sale Residential	193	26,009,866	0.8	2.3
Lend Lease AR Glenbrook	Multifamily Residential	3	23,799,779	0.7	2.1
Polk Schaefer	Multifamily Residential	2	23,218,016	0.7	2.1
Realty Income Corp	Commercial	6	18,550,115	0.5	1.7
Nordstrom Inc (2)	Department Store	1	16,241,645	0.5	1.5
La Sierra College	Various	29	15,029,844	0.4	1.4
Total		248	\$422,188,465	12.4%	38.1%
Total Project Area Value			\$3,391,493,712		
Total Project Area Incremental Value			\$1,107,072,229		

(1) The La Sierra/Arlanza Redevelopment Plan was amended in 2006 to delete certain property from the Project Area; the deletion will be effective in years subsequent to fiscal year 2006-07. None of the assesses shown in this table are located in the territory to be deleted from the Project Area.

(2) An assessed value appeal is currently pending with respect to this property. See Table 5.3 in the Fiscal Consultant Report for further information.

(3) Totals may not add because of rounding.

Source: DHA Consulting; compiled from Riverside County Assessment Records.

The top two property taxpayers in fiscal year 2006-07 accounted for approximately 6.5% of the total assessed value in the La Sierra/Arlanza Redevelopment Project in fiscal year 2006-07. The following is a brief description of the top two taxpayers and their activities in the La Sierra/Arlanza Redevelopment Project:

Tyler Mall Limited Partnership. Tyler Mall Limited Partnership owns most of Galleria at Tyler, a regional shopping center consisting of approximately 1,100,000 square feet of retail space, including J.C. Penney, Macy's and Nordstrom department stores (which own the real property and buildings that constitute their stores), a large number of enclosed mall tenants and a free-standing Barnes & Noble bookstore; three of the anchor tenants own their own pads and related areas. Tyler Mall Limited Partnership has obtained all discretionary land-use entitlements from the City to add approximately 150,000 net square feet of retail and other space to the project, including an approximately 70,000 square foot multiplex cinema. This construction work began in

mid-2006. At completion of the additions, the Galleria at Tyler will consist of approximately 1,250,000 square feet of retail and other space.

BRE Prop. Inc. BRE Properties, Inc., DBA Pinnacle Riverwalk, is the owner of a 714-unit, multi-family development constructed in the mid-1980's. The market-rate units are a combination of 1- and 2-bedrooms apartments situated on 34 acres. Amenities include four swimming pools, three tennis courts, a gym, racket ball court, and tot lot.

New Development

The following projects are either in the entitlement process, have had substantial site work or have contracts approved for construction. The Fiscal Consultant **did not** reflect the anticipated value of these projects in its tax increment projection for the Project Area (see Table 8.3.1 of the Fiscal Consultant Report).

Magnolia Square – Mixed Use Development

Description: Redevelopment of a 1970s era shopping center and vacant remnant site, including 193 for sale condominium residences and live/work units; and 34,000 sq. ft. of retail and office

Parcel: 14.25 acres

Status: Construction start: Fall 2007

Riverwalk Commons – Multiple-Family Residential

Description: Master-planned 264 unit garden apartments, 204 unit active adult apartments, and 200 unit congregate senior housing project

Parcel: 25 acres

Status: Construction start: Fall 2007

Riverview Vista – Planned Residential Development

Description: Master-planned 402 unit single-family residential project

Parcel: 100 acres

Status: Grading nearly complete. Construction start: Spring 2007

Turner Riverwalk – Mixed-Use Development

Description: Two 100,000 sq. ft. 4-story office buildings; 100,000 sq. ft. of retail shops and restaurants; and executive hotel

Parcel: 25 acres

Status: Construction start: Spring 2007

Appeals in the La Sierra/Arlanza Redevelopment Project

There are currently 10 appeal requests on record with the County for property in the La Sierra/Arlanza Redevelopment Project, which, along with resolved appeals not yet reflected in the assessment rolls, the Fiscal Consultant estimates could decrease the La Sierra/Arlanza Redevelopment Project value by approximately \$4.9 million. The Fiscal Consultant has assumed that the resolution of the outstanding appeals will result in a 10% reduction in assessed value on these parcels, on average, for the La Sierra/Arlanza Redevelopment Project.

For specific information about pending and settled appeals in the La Sierra/Arlanza Redevelopment Project, see "APPENDIX A – FISCAL CONSULTANT REPORT– Table 5.3".

Tax Sharing Obligations

The Agency has not entered into any agreements pursuant to which it has pledged tax increment generated in the La Sierra/Arlanza Redevelopment Project.

However, the La Sierra/Arlanza Redevelopment Project is subject to Statutory Tax Sharing under AB 1290. **The Agency has completed proceedings for the subordination of the Statutory Tax Sharing payments to the payment of debt service on the Agency Bonds.**

Projection of Tax Revenues and Estimated Coverage

The following table details projected Tax Revenues in the La Sierra/Arlanza Redevelopment Project. The projections start with estimated fiscal year 2006-07 assessed values and then utilize the following assumptions:

Tax Rate: The projections assume a 1.0% tax rate, although the current tax rate in the Redevelopment Project is 1.00520%.

Assessed Value: The projections utilize fiscal year 2006-07 assessed values as reported by the County as the baseline value.

Inflation Rate: In California, real property values (land and improvements) are subject to an annual inflationary increase, as allowed under Proposition 13. The projection table assumes, with respect to secured and unsecured property, a 2.0% inflation factor in fiscal year 2007-08 and thereafter. See "BOND OWNERS' RISK - Reduction in Inflationary Rate and Changes in Legislation." Assessed values of personal property and state-assessed (non-unitary property) are assumed to remain at their estimated fiscal year 2006-07 levels.

Property Transfers: The projections do not assume there will be any impact from property transfers after August 31, 2006, but assumes \$90,100,000 of increased assessed values as a result of transfers between January 1, 2006 and August 31, 2006.

New Development: The projections include in the fiscal year 2007-08 and 2008-09 values the projected value of (i) new construction that was underway and (ii) new construction that had been completed but had not been reflected on the tax rolls (\$67,625,000), in each case as of December 31, 2006. See Table 8.3.1 of the Fiscal Consultant Report for a list of the new development incorporated in the projections.

Deletion of Territory: Pursuant to Ordinance No. 6892 adopted on July 25, 2006, the City Council amended the La Sierra/Arlanza Redevelopment Plan to delete approximately 300 acres from the Project Area. For purposes of projecting revenue, the deletion (\$63,826,879 fiscal year 2006-07 assessed value) will be effective in fiscal year 2007-08. The deletion will have a corresponding reduction of \$49,017,109 to the base year value of \$2,235,401,374, effective in fiscal year 2007-08.

Appeals: The projections assume assessed values are reduced in fiscal year 2007-08 as a result of the resolution of pending appeals. For the La Sierra/Arlanza Redevelopment Project, it is assumed that the resolution of outstanding appeals will result in a 10% assessed value reduction with respect to the properties. Refunds related

to the resolution of these appeals have not been incorporated into the revenue projections because it is the County's practice to hold redevelopment agencies harmless in the event of refunds.

Housing Set-Aside: The projections assume 20% of Tax Increment generated in the Project Area will be deducted as part of the calculation of Tax Revenues.

County Administrative Charge. The projections assume a County administrative charge equal to 1% of gross tax increment generated in the Hunter Park/Northside Redevelopment Project will be deducted as part of the calculation of Tax Revenues.

Tax-Sharing Obligations: The projections assume there are no payment obligations under negotiated agreements secured by tax increment generated in the La Sierra/Arlanza Redevelopment Project, and that the Statutory Tax Sharing payments are subordinate to debt service on the Agency Bonds.

Table 18
LA SIERRA/ARLANZA REDEVELOPMENT PROJECT
Projected Tax Revenue and
Estimated Debt Service Coverage

Year ⁽¹⁾	Gross Tax Revenue ⁽²⁾	Less Housing Set-Aside⁽²⁾	Less County Admin Charge⁽²⁾	Tax Revenues⁽²⁾	2007 Series G-1 and G-2 Debt Service	Estimated Coverage
2007	\$11,070,820	\$2,214,164	\$110,708	\$8,745,948	\$719,681	1215%
2008	12,766,197	2,553,239	127,662	10,085,296	3,039,099	332
2009	13,767,580	2,753,516	137,676	10,876,388	3,037,157	358
2010	14,457,077	2,891,415	144,571	11,421,091	3,043,381	375
2011	15,167,090	3,033,418	151,671	11,982,001	3,037,247	395
2012	15,891,302	3,178,260	158,913	12,554,129	3,039,279	413
2013	16,629,999	3,326,000	166,300	13,137,699	3,038,953	432
2014	17,383,470	3,476,694	173,835	13,732,941	3,041,269	452
2015	18,152,010	3,630,402	181,520	14,340,088	3,040,965	472
2016	18,935,921	3,787,184	189,359	14,959,378	3,038,041	492
2017	19,735,510	3,947,102	197,355	15,591,053	3,042,497	512
2018	20,551,092	4,110,218	205,511	16,235,362	3,035,825	535
2019	21,382,984	4,276,597	213,830	16,892,557	3,037,325	556
2020	22,231,515	4,446,303	222,315	17,562,897	3,040,825	578
2021	23,097,016	4,619,403	230,970	18,246,642	3,041,075	600
2022	23,979,827	4,795,965	239,798	18,944,063	3,038,075	624
2023	24,880,294	4,976,059	248,803	19,655,433	3,036,825	647
2024	25,798,771	5,159,754	257,988	20,381,029	3,037,075	671
2025	26,735,617	5,347,123	267,356	21,121,138	3,038,575	695
2026	27,691,200	5,538,240	276,912	21,876,048	3,041,075	719
2027	28,665,895	5,733,179	286,659	22,646,057	3,038,000	745
2028	29,660,084	5,932,017	296,601	23,431,466	3,041,550	770
2029	30,674,157	6,134,831	306,742	24,232,584	3,036,275	798
2030	31,708,511	6,341,702	317,085	25,049,723	3,042,400	823
2031	32,763,552	6,552,710	327,636	25,883,206	3,039,250	852
2032	33,839,693	6,767,939	338,397	26,733,358	3,036,250	880
2033	34,937,358	6,987,472	349,374	27,600,513	3,043,000	907
2034	36,056,976	7,211,395	360,570	28,485,011	3,038,750	937
2035	37,198,986	7,439,797	371,990	29,387,199	3,038,750	967
2036	38,363,837	7,672,767	383,638	30,307,431	3,037,500	998
2037	39,551,985	7,910,397	395,520	31,246,068	3,039,750	1028

(1) Tax Revenues presented on a fiscal year basis (ending June 30); debt service presented on a Bond Year basis (ending the immediately following August 1) because debt service due on August 1 will be paid from tax increment collected in the previous fiscal year.

(2) Source: Fiscal Consultant.

THE MAGNOLIA CENTER REDEVELOPMENT PROJECT

General

The Magnolia Center Redevelopment Project encompasses approximately 475 acres, or approximately 0.87% of the total incorporated area of the City; the Magnolia Center Redevelopment Project features a strong neighborhood and office employment base, a central location, and several significant businesses. Magnolia Center Redevelopment Project activities focus on business retention and expansion as well as the provision of infrastructure improvements.

Redevelopment Plan; Redevelopment Plan Limitations

The City Council established the Magnolia Center Redevelopment Project on July 14, 1998 by adoption of Ordinance No. 6441. Subsequently, the City Council amended the plan on October 3, 2006 pursuant to Ordinance No. 6908 under SB 1045 (as amended, the "**Magnolia Redevelopment Plan**").

This Project Area is not subject to a cumulative tax increment limit. See "THE PROJECT AREAS – Redevelopment Plan Limitations".

Land Use in the Magnolia Center Redevelopment Project

The largest land use in the Magnolia Center Redevelopment Project in terms of assessed value is commercial with residential following. The table below shows the land use in the Magnolia Center Redevelopment Project, based on fiscal year 2006-07 assessed valuation.

Table 19
MAGNOLIA CENTER REDEVELOPMENT PROJECT
Land Use; Fiscal Year 2006-07

Category of Value	# of Parcels	FY 2006-07 Value	% of Total
Residential	264	\$ 60,903,954	11.82%
Commercial	294	294,805,788	57.22
Industrial	2	7,385,202	1.43
Recreational	3	6,627,670	1.29
Institutional	43	43,189,192	8.38
Vacant Land	53	8,757,190	1.70
SBE (1)	11	470,616	0.09
Possessory Interest (1)	-	-	0.00
Unsecured (1)	696	67,619,324	13.12
Miscellaneous	-	-	0.00
Unknown	133	25,463,442	4.94
Total	792	\$515,222,378	100.00%

(1) Indicates the number of assessments in this category but actually represents duplicate parcels.
Source: DHA Consulting; compiled from Riverside County Assessment Records.

Historic Assessed Valuation

Growth in the Magnolia Center Redevelopment Project has averaged approximately 8.8% per year since fiscal year 2001-02, primarily as a result of relatively minor new construction projects and property transfers. In addition, Riverside Plaza, an aging indoor retail mall, was demolished in 2001 and 2002 and is being replaced with a new outdoor retail center, which is nearly complete. The fiscal year 2003-04 assessed values, which increased less than 1% from the prior year, reflect the reduced value for the mall before the additional new construction was completed.

The table below shows a six-year history of assessed valuation in the Magnolia Center Redevelopment Project. The base year assessed valuation for the Magnolia Center Redevelopment Project is \$311,436,692.

Table 20
MAGNOLIA CENTER REDEVELOPMENT PROJECT
Historic Assessed Valuation

Fiscal Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Secured	\$303,300,283	\$312,784,206	\$319,661,175	\$342,405,456	\$392,081,278	\$447,132,438
SBE	599,115	575,788	507,521	540,458	530,041	470,616
Unsecured	53,356,022	55,529,454	51,189,178	56,615,485	63,124,174	67,619,324
Total Value	357,255,420	368,889,448	371,357,874	399,561,399	455,735,493	515,222,378
% Change	N/A	3.26%	0.67%	7.59%	14.06%	13.05%

Source: DHA Consulting; compiled from Riverside County Assessment Records.

Table 6.4 of the Fiscal Consultant's Report shows, for fiscal year 2006-07, assessed value and projected tax revenue in the Magnolia Center Redevelopment Project. See "APPENDIX A - FISCAL CONSULTANT REPORT – Table 6.4".

Largest Taxpayers in the Magnolia Center Redevelopment Project

The following table shows the ten largest taxpayers in the Magnolia Center Redevelopment Project (based on the fiscal year 2006-07 tax roll). For a breakout of each taxpayer's secured value and unsecured value, see "APPENDIX A - FISCAL CONSULTANT REPORT – Table 3.4".

Table 21
MAGNOLIA CENTER REDEVELOPMENT PROJECT
Largest Property Taxpayers

Assessee Name	Use	# of Parcels	FY 2006-07 Total	% of Total ⁽¹⁾	% of Incremental AV ⁽¹⁾
Riverside Plaza	Shopping Center	11	\$ 48,415,831	9.4%	23.8%
Magnolia Town Center Assoc	Neighborhood Retail	3	22,556,636	4.4	11.1
WPI Arcal (2)	Neighborhood Retail	2	16,109,322	3.1	7.9
Riverside Clinic Inv IV	Medical Clinic	13	15,981,914	3.1	7.9
Vons Co Inc. (2)	Neighborhood Retail	1	9,636,311	1.9	4.7
B H Central	Shopping Center	3	9,152,740	1.8	4.5
Sears Roebuck & Co. (2)	Department Store	2	8,733,485	1.7	4.3
Central Corporate Center	Office	1	8,002,294	1.6	3.9
Attic Mini Storage	Self Storage	1	6,389,633	1.2	3.1
Van Duong	Formerly Arlington Royale	1	6,116,242	1.2	3.0
Total Majors		29	\$151,094,408	29.33%	74.1%
			Total Project Area Value		
			\$515,222,378		
			Incremental Project Area Value		
			\$203,785,686		

(1) Numbers may not add because of rounding.

(2) An assessed value appeal has been filed by this property owner. See Table 5.4 of the Fiscal Consultant Report. Source: DHA Consulting; compiled from Riverside County Assessment Records.

The top four property taxpayers in fiscal year 2006-07 accounted for approximately 17.6% of the total assessed value in the Magnolia Center Redevelopment Project in fiscal year 2006-07. The following is a brief description of the top four taxpayers and their activities in the Magnolia Center Redevelopment Project:

Riverside Plaza/Westminster Central. First built as an open-air shopping center in the 1960s, Riverside Plaza was a successful retail location anchored by the former Harris' and Montgomery Ward department stores, and co-anchored by Vons. In the 1980s, the Plaza was fully enclosed in a more conventional mall format, but retained the same basic anchor and tenant mix. An oversupply of malls, and a shakeout among venerable retail names like Montgomery Ward, meant that by the mid-1990s, the Plaza was struggling economically. Encouraged by the formation of the Magnolia Center Redevelopment Project in 1998, the property owner prepared plans for the repositioning of Riverside Plaza around a contemporary entertainment and retail theme. As a result, the 35-acre shopping center is a gathering place for the entire community with 500,000 square feet of restaurants and retail. It includes a 16-screen multiplex Regal Theater and restaurants with outdoor seating (Chipotle, Pick Up Stix, Red Brick Oven, Daphne's Greek Café, Panera Bread, Citrus City Grille, and California Pizza Kitchen). The Plaza is currently anchored by Gottschalk's Department Store, (formerly Harris'), Trader Joe's,

and Vons. As set forth in the Fiscal Consultant's Report, construction is nearing completion on the last 40,000 square feet.

Magnolia Town Center Associates. The Magnolia Town Center is a 133,510 square foot neighborhood shopping center on 11.8 acres. The shopping center contains 29 tenants and is anchored by a 46,000 square foot Ralph's supermarket and a 27,659 square foot Rite-Aid drug store. Some of the other tenants include Kinko's, Carl's Jr., H&R Block, Wells Fargo Bank, Countrywide Mortgage, HFC Finance, Verizon Cellular, Supercuts, Autozone, Mail Boxes Etc. and other food, service and retail tenants.

Wpi Arcal-World Premier Investments (Developer). Wpi Arcal-World Premier Investments owns the Hardman Center, which includes more than 11 acres of retail. Hardman Center is undergoing rehabilitation in two phases. The first phase, which includes modernization of the exterior facades, demolition of the vacant, former Denny's restaurant building, and reconfiguration/restripping of the existing parking lot, among other things, was completed in January 2007. A second phase, including a new pad development with a Starbuck's drive-through and an additional retail tenant, was approved by the City's Planning Commission in January 2007, and is expected to be complete in late-2007.

Riverside Clinic Investment IV, Ltd. Riverside Medical Clinic is one of the oldest and most successful healthcare organizations in the Inland Empire. Founded in 1935, the organization includes more than 90 medical professionals and serves a community of over 500,000 people in five locations throughout the Riverside area.

New Development

The following projects are either in the entitlement process, have had substantial site work or have contracts approved for construction. The Fiscal Consultant **did not** reflect the anticipated value of these projects in its tax increment projection for the Project Area.

Riverside Plaza Expansion – As a result of the success of the Riverside Plaza renovation described above, the developer is interested in expanding the center as built. *Status:* The Agency is currently in discussions with the developer about increasing the density at the site.

Riverside Plaza Spin-off – Like many successful major shopping centers, complimentary retail uses are interested in locations nearby to benefit from the exposure to the traffic going to and from the center. *Status:* The Agency is currently acquiring a two-acre site across the street from Riverside Plaza and intends to effect the private development of a restaurant cluster.

Appeals in the Magnolia Center Redevelopment Project

There are currently 9 appeal requests on record with the County for property in the Magnolia Center Redevelopment Project, which, along with resolved appeals not yet reflected in the assessment rolls, the Fiscal Consultant estimates could decrease the Magnolia Center Redevelopment Project value by approximately \$4.2 million. Based on historical success rates, the Fiscal Consultant has assumed that the resolution of the outstanding appeals will result in a 10% reduction in assessed value on these parcels, on average, for the Magnolia Center Redevelopment Project.

For specific information about pending and settled appeals in the Magnolia Center Redevelopment Project, see "APPENDIX A – FISCAL CONSULTANT REPORT– Table 5.4".

Tax Sharing Obligations

The Agency has not entered into any agreements pursuant to which it has pledged tax increment generated in the Magnolia Center Redevelopment Project.

However, the Magnolia Center Redevelopment Project is subject to Statutory Tax Sharing under AB 1290. **The Agency has completed proceedings for the subordination of the Statutory Tax Sharing payments to the payment of debt service on the Agency Bonds.**

Projection of Tax Revenues and Estimated Coverage

The following table details projected Tax Revenues in the Magnolia Center Redevelopment Project. The projections start with estimated fiscal year 2006-07 assessed values and then utilize the following assumptions:

Tax Rate: The projections assume a 1.0% tax rate, although the current tax rate in the Redevelopment Project is 1.00520%.

Assessed Value: The projections utilize fiscal year 2006-07 assessed values as reported by the County as the baseline value.

Inflation Rate: In California, real property values (land and improvements) are subject to an annual inflationary increase, as allowed under Proposition 13. The projection table assumes, with respect to secured and unsecured property, a 2.0% inflation factor in fiscal year 2007-08 and thereafter. See "BOND OWNERS' RISK - Reduction in Inflationary Rate and Changes in Legislation." Assessed values of personal property and state-assessed (non-unitary property) are assumed to remain at their estimated fiscal year 2006-07 levels.

Property Transfers: The projections do not assume there will be any impact from property transfers after August 31, 2006, but assumes \$5,300,000 of increased assessed values as a result of transfers between January 1, 2006 and August 31, 2006.

New Development: The projections include in the fiscal year 2007-08 and 2008-09 values the projected value of (i) new construction that was underway and (ii) new construction that had been completed but had not been reflected on the tax rolls (\$8,700,000), in each case as of December 31, 2006. See Table 8.4 of the Fiscal Consultant Report for a list of the new development incorporated in the projections.

Appeals: The projections assume assessed values are reduced in fiscal year 2007-08 as a result of the resolution of pending appeals. For the Magnolia Center Redevelopment Project it is assumed that the resolution of outstanding appeals will result in a 10% assessed value reduction with respect to the properties filing these appeals. Refunds related to the resolution of these appeals have not been incorporated into the revenue projections because it is the County's practice to hold redevelopment agencies harmless in the event of refunds.

Housing Set-Aside: The projections assume 20% of Tax Increment generated in the Project Area will be deducted as part of the calculation of Tax Revenues.

County Administrative Charge. The projections assume a County administrative charge equal to 1% of gross tax increment generated in the Magnolia Center Redevelopment Project will be deducted as part of the calculation of Tax Revenues.

Tax-Sharing Obligations: The projections assume there are no payment obligations under negotiated agreements secured by tax increment generated in the Magnolia Center Redevelopment Project, and that the Statutory Tax Sharing payments are subordinate to debt service on the Agency Bonds.

Table 22
MAGNOLIA CENTER REDEVELOPMENT PROJECT
Projected Tax Revenue

Year ⁽¹⁾	Gross Tax Revenue ⁽²⁾	Less Housing Set-Aside ⁽²⁾	Less County Admin Charge ⁽²⁾	Tax Revenues ⁽²⁾	2007 Series F-1 and F-2 Debt Service	Coverage
2007	\$2,038,741	\$407,748	\$20,387	\$1,610,605	\$296,578	543%
2008	2,175,429	435,086	21,754	1,718,589	1,206,875	142
2009	2,326,817	465,363	23,268	1,838,186	1,209,099	152
2010	2,425,776	485,155	24,258	1,916,363	1,205,537	159
2011	2,527,819	505,564	25,278	1,996,977	1,206,389	166
2012	2,631,903	526,381	26,319	2,079,203	1,206,542	172
2013	2,738,068	547,614	27,381	2,163,073	1,205,884	179
2014	2,846,356	569,271	28,464	2,248,621	1,204,440	187
2015	2,956,811	591,362	29,568	2,335,881	1,207,148	194
2016	3,069,474	613,895	30,695	2,424,884	1,208,870	201
2017	3,184,391	636,878	31,844	2,515,669	1,204,494	209
2018	3,301,605	660,321	33,016	2,608,268	1,204,320	217
2019	3,421,165	684,233	34,212	2,702,720	1,205,466	224
2020	3,543,115	708,623	35,431	2,799,061	1,205,183	232
2021	3,667,505	733,501	36,675	2,897,329	1,208,428	240
2022	3,794,382	758,876	37,944	2,997,562	1,204,906	249
2023	3,923,797	784,759	39,238	3,099,800	1,204,912	257
2024	4,055,800	811,160	40,558	3,204,082	1,208,150	265
2025	4,190,443	838,089	41,904	3,310,450	1,204,327	275
2026	4,327,779	865,556	43,278	3,418,945	1,208,737	283
2027	4,467,862	893,572	44,679	3,529,611	1,205,886	293
2028	4,610,746	922,149	46,107	3,642,490	1,205,903	302
2029	4,756,488	951,298	47,565	3,757,625	1,208,565	311
2030	4,905,145	981,029	49,051	3,875,065	1,208,645	321
2031	5,056,775	1,011,355	50,568	3,994,852	1,201,075	333
2032	5,211,438	1,042,288	52,114	4,117,036	1,206,010	341
2033	5,369,193	1,073,839	53,692	4,241,662	1,207,750	351
2034	5,530,104	1,106,021	55,301	4,368,782	1,204,750	363
2035	5,694,234	1,138,847	56,942	4,498,445	1,204,500	373
2036	5,861,645	1,172,329	58,616	4,630,700	1,206,750	384
2037	6,032,406	1,206,481	60,324	4,765,601	866,250	550

(1) Tax Revenues presented on a fiscal year basis (ending June 30); debt service presented on a Bond Year basis (ending the immediately following August 1) because debt service due on August 1 will be paid from tax increment collected in the previous fiscal year.

(2) Source: Fiscal Consultant.

BOND OWNERS' RISKS

The following factors relating to the potential impairment of Tax Revenues to pay the Agency Bonds, and the corresponding risks relating to the availability of Revenues to pay the Bonds, along with all other information in this Official Statement, should be considered by investors in evaluating the risks of investing in the Bonds.

Reduction in Taxable Value

Tax Revenues allocated to the Agency are determined by the amount of incremental taxable value in the Redevelopment Project and the current rate or rates at which property in the Redevelopment Project is taxed. The reduction of taxable values of property caused by economic factors beyond the Agency's control, such as a relocation out of the Redevelopment Project by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Redevelopment Project by a person displaced by eminent domain or similar proceedings, or the discovery of hazardous substances on a property within the Redevelopment Project (see "Hazardous Substances," below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see "Seismic Considerations," below), flood or other natural disaster, could cause a reduction in the Tax Revenues securing the Agency Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. See "APPENDIX A – FISCAL CONSULTANT REPORT - Section D - Assessment Appeals".

Reduction in Inflationary Rate and Changes in Legislation

As described in greater detail below (see "LIMITATIONS ON TAX REVENUES"), Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2% and there have been several years in which taxable values were adjusted by an actual inflationary rate that was less than 2%. The adjusted inflationary rate for fiscal year 2005-06 was 2%. The Agency is unable to predict whether future annual inflationary adjustments to the taxable value base of real property within the Project Areas will be in the amount of the full 2% permitted under Article XIII A or will be in an amount less than 2%.

Limited Application of Project Area Tax Revenues

Tax Revenues allocated to a Project Area and pledged to pay debt service on the series of Agency Bonds issued with respect to such Project Area are not available to pay debt service on any other series of Agency Bonds. Under the California Constitution and the Redevelopment Law, Tax Revenues allocated to a Project Area may only be used to finance and refinance redevelopment activities within or of benefit to such Project Area. Furthermore, debt service payable on the Bonds issued by the Authority has been calculated based on the assumption that each Project Area will generate sufficient Tax Revenues to pay timely debt service on the series of Agency Bonds issued for such Project Area and that the aggregate of the debt service on all Agency Bonds will be available in an amount sufficient to pay timely debt service on the Bonds issued by the Authority. Accordingly, if there should be a substantial decline in the

amount of Tax Revenues available with respect to one or more Project Areas causing a default in the payment of one or more series of Agency Bonds, the Authority will be unable to pay debt service on its Bonds.

Tax Increment Caps

As noted above under the caption “THE PROJECT AREAS – Redevelopment Plan Limitations,” certain sub-areas in the University Corridor/Sycamore Canyon Merged Redevelopment Project and the Original Area of the Arlington Redevelopment Project are subject to a limitation on the amount of tax increment that can be derived from those sub-areas (the “**tax increment caps**”). The Agency is unable to predict whether one or more of these sub-areas will meet its tax increment cap prior to the final maturity date of the related Agency Bonds. Whether or not a tax increment cap is met prior to the final maturity of the applicable Agency Bonds will depend on the growth of assessed value, which, in turn, depends on several factors, including the pace of real estate development, the number and types of sales of properties and the prices at which such properties are sold, and the overall strength of the real estate market in the sub-area. Once a tax increment cap is met, absent an amendment to the applicable Redevelopment Plan increasing the tax increment cap, the Agency will no longer receive any tax increment from the sub-area, and, accordingly, no Tax Revenues will be available from the sub-area after its tax increment cap is met.

For each Project Area subject to a tax increment cap, the Agency has made certain covenants in the related Agency Bond Indenture to take certain actions that are designed to ensure that, notwithstanding the tax increment cap, there will be sufficient Tax Revenues to pay debt service on the related Agency Bonds when due. See “THE UNIVERSITY CORRIDOR/SYCAMORE CANYON MERGED REDEVELOPMENT PROJECT” for a description of the covenant (which is identical in each applicable Agency Bonds Indenture). In addition, the Agency is considering amendment of the Redevelopment Plan for the University Corridor/Sycamore Canyon Merged Redevelopment Project to increase the cumulative tax increment limits.

Impact of Redevelopment Plan Expiration

The final maturity date of the Bonds is August 1, 2037. The final maturity dates on the Agency Bonds that generate Revenues to pay debt service on the Bonds and the final maturity dates of outstanding Parity Bonds for each Project Area have been established based on the final dates to collect tax increment and repay debt in the related Project Area, as set forth below. As a result of the termination of the Agency’s right to collect tax increment and repay debt in the Arlington Redevelopment Project, the distribution of land uses and the largest assesses among the Project Areas generating tax increment (and, therefore, Revenues to pay debt service on the Bonds) will change while the Bonds are outstanding. The Agency also expects such distribution may change over time as a result of economic and other factors. See also “PLAN OF FINANCE – Annual Debt Service Requirements of the Bonds” for a table comparing the debt service on the Bonds with debt service on the Agency Bonds issued with respect to each of the Project Areas.

Project Area	Final Date: Collect Increment/ <u>Repay Debt</u>	Final Maturity Date- Agency <u>Bonds</u>
University Corridor/Sycamore Cyn.		8/1/37
Univ Corr. Orig. Area	10/25/30	
Univ. Corr. 1 st Amendment	11/27/37	
Univ. Corr. 4 th Amendment	7/8/43	
Syc. Canyon Orig. Area	12/20/36	
Syc. Canyon 2 nd Amendment	7/8/43	
Arlington		8/1/37
Original Area	11/28/31	
2 nd Amendment	4/13/45	
3 rd Amendment	6/24/49	
Magnolia Center	7/14/44	8/1/37
Hunter Park/Northside	6/24/49	8/1/37
La Sierra/Arlanza	7/13/49	8/1/37

Levy and Collection

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues and, accordingly, could have an adverse impact on the ability of the Agency to make debt service payments on the Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments on the Bonds. The County currently allocates to redevelopment agencies 100% of the estimated tax increment due, regardless of the actual amount of payments made by taxpayers (see "Property Taxes; Levy and Collection," below). However, the County could terminate this policy at any time, in which case the County would allocate tax increment based upon actual collections.

State Budget Deficit-ERAF

In connection with its approval of the budget for the 1992-93, 1993-94 and 1994-95 fiscal years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas.

Faced with a projected State budget gap for fiscal year 2002-03, the State Legislature adopted as urgency legislation AB 1768, which required redevelopment agencies to pay into ERAF in fiscal year 2002-03 an aggregate amount of \$75 million. AB 1768 became effective on September 30, 2002 and required the payment into ERAF in fiscal year 2002-03 only. AB 1768 provided that one-half of the Agency's ERAF obligation was calculated based on the gross tax increment received by the Agency and the other one-half of the Agency's ERAF obligation was

calculated based on net tax increment revenues (after any pass-through payments to other taxing entities). The Agency made the required payment of \$445,887 into ERAF.

Faced with a continuing State budget gap, the State Legislature in 2003 adopted SB 1045 which again required redevelopment agencies to make ERAF transfers in fiscal year 2003/04, based on a statewide aggregate transfer by redevelopment agencies of \$135 million. SB 1045 required the Agency to transfer approximately \$775,864 to ERAF in fiscal year 2003/04 and to make this transfer payment by May 10, 2004. The Agency timely made the required ERAF payment.

The Governor's budget for fiscal year 2004-05 as implemented by SB 1096 (Chapter 211, Stats. 2006) again included a transfer by redevelopment agencies to the applicable ERAFs. However, the aggregate amount of ERAF transfers by redevelopment agencies has increased from \$135 million (in fiscal year 2003-04) to \$250 million in each of the fiscal years 2004/05 and 2005-06. The Agency was required to transfer approximately \$1,425,276.23 million to ERAF in fiscal year 2004-05 and a similar amount to ERAF in fiscal year 2005-06. The Agency participated in a pooled financing to borrow funds to pay its fiscal year 2004-05 ERAF contribution (the "**2005 ERAF Financing**"). Under the 2005 ERAF Financing, the Agency must make semi-annual loan payments through August 1, 2015. The maximum annual Agency loan payment (principal and interest) under the 2005 ERAF Financing is approximately \$180,000. The Agency's loan payments under the 2005 ERAF Financing are payable on a basis subordinate to the Bonds. The Agency made the required ERAF payment in fiscal year 2005-06 with cash.

The State budget for fiscal year 2006-07 does not require an ERAF transfer of tax increment revenues by redevelopment agencies. Although the State's voters approved a constitutional amendment on the November 2004 ballot (the "**Local Government Initiative**"), which purports to prohibit any further transfers of non-education local government property taxes for the benefit of the State, the Local Government Initiative does not purport to change existing law with respect to the State's ability to transfer redevelopment agencies' property tax revenues.

The Agency cannot predict whether the State Legislature will, in future fiscal years, adopt legislation requiring other shifts of redevelopment tax increment revenues to the State and/or to schools, whether by the ERAF mechanism or by other arrangement. Should such legislation be enacted, Tax Revenues available for payment of the Agency Bonds may, in the future, be substantially reduced and the Agency's ability to pay debt service on the Agency Bonds and the Authority's ability to pay debt service on the Bonds may be impaired.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within one or more of 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 a Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

Seismic and Flood Considerations

Seismic. As with most of Southern California, the most significant environmental safety hazard in Riverside County is due to seismic concerns.

There are no mapped major fault lines that run either within the City or the Project Areas. However, there are three mapped major faults in the Riverside region that are within 8-13 miles of downtown Riverside: the San Andreas (11 miles at its closest point to downtown Riverside), the San Jacinto (7 miles at its closest point to downtown Riverside) and the Elsinore Fault (13 miles at its closest point of downtown Riverside). Seismic activity from the mapped faults could potentially result in damage to buildings, roads, bridges, and property within the Project Areas in the event of an earthquake.

Almost all of the Project Areas have some risk of liquefaction, with the higher risk levels in the western half of the City (which contains the Arlington Redevelopment Project and the La Sierra/Arlanza Redevelopment Project).

Past seismic events have resulted in minimal damage to the infrastructure and property within the Project Areas. A significant portion of existing property within the Project Areas was generally developed prior to adoption of the 1988 Uniform Building Code standards; any building constructed after this time would need to comply with 1988 Uniform Building Code standards.

Flood. With the Santa River nearby and numerous arroyos traversing the City, flood risk is a significant concern. None of the Project Areas are located in a mapped 100-year flood plain. However, portions of the Hunter Park/Northside Redevelopment Project and the Arlington Redevelopment Project are located within mapped 500-year flood plains.

In addition, the City faces the possibility of dam inundation areas should 1 or more of the 10 existing dams in the area fail. The following Project Areas face risk of dam inundation:

- the University Corridor Project Area from the Box Springs Dam (a storm water retention facility);
- the Magnolia Center Redevelopment Project from the Woodcrest, Mary Street and Prenda Dams (storm water retention facilities);
- the Arlington Redevelopment Project from the Woodcrest, Mary Street, Prenda, Harrison and Mockingbird Canyon Dams (storm water retention facilities); and
- the La Sierra/Arlanza Redevelopment Project from the Harrison and Mockingbird Canyon Dams (storm water retention facilities) and the Cajalco Dam (Lake Mathews, a Metropolitan Water District facility).

Dam safety is the responsibility of the U.S. Army Corps of Engineers.

If an earthquake or a flood were to substantially damage or destroy taxable property within a Project Area, the assessed valuation of such property would be reduced. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the Agency Bonds and could adversely impact the ability of the Authority to pay debt service on the Bonds.

Bankruptcy

The rights of the Owners of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel as to the enforceability of the obligation to make payments on the Bonds will be qualified as to bankruptcy and such other legal events. See "APPENDIX F – Form of Opinions of Bond Counsel".

LIMITATIONS ON TAX REVENUES

Property Tax Limitations - Article XIII A

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 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 damage, destruction or other factors. Roll adjustments may be made by the County which would affect the Project Areas assessed value, under Section 51 of the Revenue and Taxation Code.

Article XIII A further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in August 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation. On December 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*).

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Under Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60. As a result, there may be a minor reduction of property tax revenues because there is substantial residential use within the Project Areas.

Challenges to Article XIII A

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

Property Taxes; Levy and Collection

In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

The Fiscal Consultant Report states that, in Riverside County, the majority of tax increment revenues received by the Agency are disbursed in two payments by the County: 50% in January and 50% in May. Since 1989, unitary revenues have been disbursed separately, lagging behind tax increment disbursements by 15-60 days. Supplemental revenues, meanwhile, are disbursed as collected, on a monthly basis.

Property tax laws provide for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. To the extent such supplemental assessments occur within the Project Areas, Tax Revenues may increase.

Riverside County follows a policy similar to the "Teeter Plan"; and consequently, property tax revenues in the Project Areas do not reflect actual collections because the County allocates to redevelopment agencies 100% of the calculated tax increment without adjustment for delinquencies, redemption payments or roll adjustments. The County could elect to terminate this policy and, in such event, the amount of the levy of tax increment received by the Agency would depend upon the actual collections of the taxes within the Project Areas. Substantial delinquencies in the payment of property taxes could impair the timely receipt by the Agency of Tax Revenues.

Tax Collection Fees

Legislation enacted by the State Legislature authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. The County administration fee amounts to approximately 1-2% of the tax increment revenues from a Project Area.

The Fiscal Consultant's Tax Revenue projections assume a County administrative charge equal to 1% of gross tax increment generated in the applicable Project Area will be deducted as part of the calculation of Tax Revenues for each Project Area.

Unitary Taxation of Utility Property

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

AB 454 (Statutes of 1987, Chapter 921) further modifies Chapter 1457 regarding the distribution of property tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited. For additional information see "APPENDIX A – FISCAL CONSULTANT REPORT - Unitary Tax Revenue".

Proposition 218

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Tax Revenues securing the Agency Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which were limited by Proposition 218.

Future Initiatives

Article XIII A, Article XIII B and Proposition 218 were each adopted as measures that qualified for the ballot under California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

OTHER INFORMATION

Continuing Disclosure

The Agency has covenanted in the Agency Bonds Indentures for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Agency by not later than nine months following the end of the Agency's fiscal year (which currently would be by April 1 each year based upon the June 30 end of the Agency's fiscal year), commencing April 1, 2008 with respect to the report for the Agency's fiscal year 2006-07 (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information depository, if any. The notices of material events will be filed by the Agency with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX G – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The Agency has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Litigation

At the time of delivery of and payment for the Bonds, the Agency will certify that, except as disclosed in this Official Statement, to its best knowledge there is no litigation, action, suit, proceeding or investigation, at law or in equity, before or by any court, governmental agency or body, pending against or threatened against the Authority or the Agency in any way affecting the existence of the Authority or the Agency or the titles of its officers to their respective offices or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or the Agency Bonds, the application of the proceeds thereof in accordance with the Indenture or the Agency Bonds, or the collection or application of Tax Revenues pledged or to be pledged to pay the principal of and interest on the Bonds or the Agency Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Agency Bonds, the Indentures, or any action of the Agency contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or the powers of the Agency or its authority with respect to the Indenture or the Agency Bonds Indentures or any action of the Authority or the Agency contemplated by said document, or in any way contesting the completeness or accuracy of this Official Statement or the powers of the Authority or the Agency or its authority with respect to the Indentures or the Agency Bonds Indentures or any action of the Authority or the Agency contemplated by said documents, or which would adversely affect the exclusion of interest paid on the Bonds from gross income for Federal income tax purposes or the exemption

of interest paid on the Bonds from California personal income taxation, nor, to the knowledge of the Agency, is there any basis therefor.

Tax Matters

Series C Bonds. In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “**Code**”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series C Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series C Bonds. The Authority and the Agency have covenanted to comply with certain restrictions designed to insure that interest on the Series C Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series C Bonds being included in federal gross income, possibly from the date of original issuance of the Series C Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series C Bonds may adversely affect the value of, or the tax status of interest on, the Series C Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Series C Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

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

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

Although Bond Counsel is of the opinion that interest on the Series C Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series C Bonds may otherwise affect a Bondholder’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the

Bondholder or the Bondholder's other items of income or deduction, and Bond Counsel expresses no opinion regarding any such other tax consequences.

Series D Bonds. Interest on the Series D Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series D Bonds is exempt from California personal income taxes.

Circular 230 (Series D Bonds). Under 31 C.F.R. part 10, the regulations governing practice before the Internal Revenue Service (Circular 230), the Authority, the Agency and its tax advisors are (or may be) required to inform you that:

- Any advice contained in this Official Statement, including any opinions of counsel referred to in this Official Statement, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;
- Any such advice is written to support the promotion or marketing of the Series D Bonds and the transactions described in this Official Statement (or in such opinion or other advice).

Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

A copy of the proposed form of opinions of Bond Counsel is attached hereto as Appendix F.

Legal Opinions

Best Best & Krieger LLP, Riverside, California, will render separate opinions with respect to the validity of the Series C Bonds and the Series D Bonds in substantially the forms set forth in Appendix F to this Official Statement. Copies of such approving opinions will be available at the time of delivery of the Bonds.

Ratings

The Bonds have received the rating of "AAA" and "AAA" by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies ("**S&P**") and Fitch Ratings Group ("**Fitch**"), respectively, with the understanding that upon execution and delivery of the Bonds the Policy insuring the payment when due of the principal and interest on the Bonds will be issued by MBIA.

S&P ("BBB") and Fitch ("BBB+") have also issued underlying ratings on the Bonds.

The ratings issued reflect only the view of such rating agencies, and any explanation of the significance of such ratings should be obtained from such rating agencies. There is no assurance that such ratings will be retained for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the Bonds.

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APPENDIX A
FISCAL CONSULTANT REPORT

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Redevelopment Agency
of the City of Riverside
Multiple Redevelopment
Project Areas

Fiscal Consultant Report

March 5, 2007

Prepared By:

DHA Consulting
3621 California Avenue
Long Beach, CA 90807

Redevelopment Agency of the City of Riverside Multiple Redevelopment Project Areas Fiscal Consultant Report

Section A - Introduction

The Redevelopment Agency of the City of Riverside is proposing to issue tax allocation bonds to be secured by tax increment revenues from several of its redevelopment project areas. The financing is to be secured revenues from the following Redevelopment Project Areas: Arlington; Hunter Park; La Sierra/Arlanza; Magnolia Center; and Merged University Corridor/Sycamore Canyon, together “the Projects” or “Project Areas”. In connection with the proposed financing, the Agency has retained DHA Consulting to conduct a review of assessed values and prepare projections of future tax increment revenues for the Project Areas. This report summarizes the findings of that review.

The California Community Redevelopment Law (CRL) provides for the creation of a redevelopment agency for the purpose of eliminating blight. To achieve this purpose, the CRL, along with Article 16, Section 16 of the California Constitution, authorizes the Agency to receive that portion of property tax revenue generated from the increase of the current year project taxable values over the taxable values that existed at the time of the Project Area’s adoption. This portion of property tax revenue is referred to as tax increment revenue. The CRL provides that the tax increment revenue may be pledged by the Agency for the repayment of Project Area indebtedness.

This Fiscal Consultant Report presents examinations of valuations, revenues and projections of future tax increment revenues for the Project Areas. The projections are based on assumptions determined by a review of the taxable value history of the Project Areas; current new development activities; and the property tax assessment and property tax apportionment procedures of Riverside County (“County”).

This report is organized into the following sections:

- A. Introduction
- B. The Project Areas
- C. Historical Taxable Values
- D. Assessment Appeals
- E. Tax Allocation and Disbursement
- F. Tax Increment Projections
- G. Agency Obligations
- H. Other Issues

Section B – The Project Areas

As stated above, this Report covers the following Project Areas: Arlington; Hunter Park; La Sierra/Arlanza; Magnolia Center and University Corridor/Sycamore Canyon. The University Corridor/Sycamore Canyon Project Area consists of two previously separate redevelopment project areas, the University Corridor Redevelopment Project (formerly the Central Industrial

Project Area) and the Sycamore Canyon Redevelopment Project (the "Sycamore Canyon Project Area"). The two Project Areas were merged in 1998 under allowable provisions of the CRL (Section 33486 et.seq.) The other four Project Areas involved in the proposed financing are individual Project Areas and are not part of any merged project.

Over time, territory has been added to the Arlington Project Area and the Merged Project Area. As a result, each of these Project Areas has a number of added areas or subareas. This Report may make reference to one or more of the various subareas based on the reporting categories used by the County. A summary of the Project Area references used in this Report is as follows:

Report Reference	Description
Arlington Project <ul style="list-style-type: none"> • Arlington Original • Arlington 1999 Annex • Arlington 2003 A-D Annex • Arlington 2003 E & F Annex 	Project Area with all subareas <ul style="list-style-type: none"> • 1978 adoption of Arlington Project • Area added in 1999 • Area added in 2003 without restrictions • Area added (Auto Center) in 2003
Hunter Park <ul style="list-style-type: none"> • No Subareas 	Project Area
La Sierra <ul style="list-style-type: none"> • 2005 Deletion • 2006 Deletion 	Project Area Area deleted from the Project in 2005 Area deleted from the Project in 2006
Magnolia Center <ul style="list-style-type: none"> • No Subareas 	Project Area
UC/Sycamore Canyon Merged <ul style="list-style-type: none"> • University Corridor Original • University Corridor 1985 Annex • University Corridor 1998 Annex • Sycamore Canyon Original • Sycamore Canyon 1998 Annex 	Project Area with all subareas <ul style="list-style-type: none"> • 1977 adoption of University Corridor • Area added in 1984 • Area added in 1997 • 1983 adoption of Sycamore Canyon • Area added in 1997

Plan Limitations

Redevelopment Plans are required to contain certain time and revenue limits. On October 23, 2006 the City Council extended certain time limitations for the Project Areas by up to 3 years by adopting ordinances, as permitted by SB 1045 and SB 1096. The current time limits for each of the applicable components of the Project Areas are as shown in the enclosed Table 1.

Assessed Value by Land Use

This report covers five separate Project Areas, in various locations within the City of Riverside. Major uses include commercial, residential and industrial land uses. Many of the industrial uses in the Project Areas represent heavy industrial uses with significant levels of taxable equipment and personal property. A summary of the distribution of the assessed value among the various types of land uses for each Project Area is included as Tables 2.1 to 2.3.

Major Taxpayers

The Major Taxpayers in each Project Area are summarized on Tables 3.1 to 3.5. Each Project Area has different types of major taxpayers and different concentration levels. The following table summarizes the relative concentration for each Project Area.

Multiple Project Areas
 Major Taxpayer Summary

Project Area	Total Value of Top 10 Taxpayers	Total 2006-07 Project Value	% of Total
Arlington	165,311,368	736,609,629	22.44%
Hunter Park	207,087,873	1,183,960,698	17.49%
La Sierra	422,188,465	3,391,493,712	12.45%
Magnolia Center	151,094,408	515,222,378	29.33%
UC/Sycamore	420,444,699	887,196,413	47.39 %

Source: Riverside County Assessor's Data

Section C – Taxable Values and Historical Revenues

Taxable Values

Real property consists of land and improvements and can either appear on the secured or the unsecured roll. The secured roll includes property on which the property tax levied becomes a lien on the property to secure the payment of taxes. Unsecured property does not become a lien on such property, but may become a lien on other property of the taxpayer.

Locally assessed real property is subject to the provisions of Article XIII A of the California Constitution, commonly referred to as Proposition 13. Under Proposition 13, property is

valued based either on its value in 1975-76 or, if newly constructed or sold after this date, then on the full cash value of the property at that time. Property values may only increase annually by an inflation factor of up to 2 percent annually. The Proposition 13 value of property is sometimes referred to as the factored base year value. Pursuant to Section 51 (b) of the Revenue and Taxation Code, assessors must enroll the lesser of the market value or the factored base year value of property.

Personal property values can be classified as either secured or unsecured property. Personal property is not subject to the provisions of Proposition 13. Such property is annually appraised at the full cash value of the property.

State-assessed property is also not subject to the provisions of Proposition 13. State-assessed property is categorized as secured and is either unitary or non-unitary property. Since 1987-88, the value of unitary property has been reported on a county-wide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in AB 454. State-assessed non-unitary values and railroad values are reported at the local situs level.

Project Area Value Trends

The values reported by the County for the Project Areas in each of the last 4 to 5 years are included on Tables 4.1 through 4.3. Project Area values are reported by the County in July/August and then are generally updated in October each year.

In general, assessed values for the Project Areas have increased over the last five years. A brief discussion of the valuation trends in each Project Area is included below.

Arlington: Over the last two years, the values reported by the County for the Arlington Project Area have increased by over 15 percent per year. These increases are largely the result of new residential construction as well as residential resales. In 2004-05, the value increased over the prior year by \$100 million, or over 28 percent. A portion of the increase is the result of a number of property transfers and new construction, primarily residential in nature. The majority of the 2004-05 increase, \$82.4 million, is the result of adding the 2004-05 value for the 2003 Annex to the Project Area totals. When a newly formed area is added to an existing project area, the base year value also increases. In the case of the Arlington 2003 amendment, the base year value increased by \$62.6 million.

Hunter Park: Hunter Park is a newer redevelopment project area, adopted in 2002, which contains slightly over 2,600 acres. The base year for the Project Area is 2002-03 and the Project Area first received tax increment revenues in 2004-05. Growth has averaged over 14 percent annually since the Project Area was adopted in 2002-03. This growth is primarily attributable to the substantial new industrial development that has occurred over the last few years.

La Sierra/Arlanza: La Sierra is the City's newest and largest redevelopment project area. The Project was adopted as 8,066 acres in 2003 and then amended in 2005 to delete about 1,300 acres and again in 2006 to delete a little over 300 acres. The size of the Project area, after adjusting for the two amendments, is still large at about 6,425 acres. The base year for the Project Area is 2003-04 and the project first received tax increment revenues in 2005-06. Growth has averaged over 10 percent per year in each year since 2003-04, despite the fact

that the values shown for the Project Area for 2005-06 and 2006-07 reflect the 2005 deletion. (The 2006 deletion will not be reflected until 2007-08, which impact is estimated later in this Report.) The growth in La Sierra is the result of a number of factors including property transfers and new residential/commercial construction.

Magnolia Center: Growth in Magnolia Center has averaged nearly 9 percent per year since 2001-02, primarily as a result of relatively minor new construction projects and property transfers. In addition, Riverside Plaza, an aging indoor retail mall was demolished in 2002 and was replaced, in part, with a neighborhood retail center, movie theater and restaurant space. The 2003-04 assessed values, which increased less than 2.0 percent from the prior year, reflect the reduced value for the mall before the additional new construction was completed.

University Corridor/Sycamore Canyon Merged: The value for the Merged Project has been increasing significantly in recent years, primarily because of new industrial development in the Sycamore Canyon Project Area and new private residential student housing in University Corridor Project. Several million square feet of new industrial development has been located in Sycamore Canyon over the last three to five years. In University Corridor, three major student housing projects, ranging in value from \$27 to \$37 million have been built in the last few years.

Section D – Assessment Appeals

Taxpayers may appeal their property tax assessments. Depending on the outcome of the appeal, taxes paid in the current year may be either higher or lower than the initial assessment. (An appeal which results in a lower valuation is referred to in this Report as a successful appeal.) When an appeal is successfully resolved after the disputed taxes have already been paid, a refund with interest is subsequently issued to the taxpayer by the county. Because assessment appeals can have an impact on the taxable values and tax increment revenues of a redevelopment project area, a review of appeal activity was conducted. A summary of the findings from that review is included below.

Appeals have routinely been filed by a number of major taxpayers in the Project Areas on a regular basis. In the Merged Project Area, which includes the sites of a number of major industrial uses, it is not uncommon for the total value being contested through the appeals process to range from \$200 to \$300 million. Reductions of 20 to 35 percent of value have occurred from time to time, in part from appeals and in part, at least with major industrial uses, from the removal and/or depreciation of fixtures, equipment and personal property. More commonly, however, overall reductions reported by the County from all appeals filed in a given year have ranged from 5 to 10 percent of total appeal value.

Tables 5.1 through 5.5 present a summary of the appeal information that is projected to potentially impact future assessed values in each Project Area. Included in the appeals summaries are appeals which have already been resolved, but are projected to impact current or future values, and currently outstanding appeals which may have an impact on future values. Reductions to reported 2006-07 values can occur as a result of the resolution of prior year appeals. As a result, it can be assumed that currently outstanding appeals will impact future values and revenues for the Project Areas. For the purposes of projecting future tax increment revenues, it has been estimated that currently outstanding appeals will

proportionately reduce taxable values in 2007-08 and thereafter. It has been assumed that the resolution of the outstanding appeals will result in a 15 percent assessed value reduction, on average, for the Arlington Project and 10 percent for the other Project Areas: Hunter Park; La Sierra; Magnolia Center and Merged University Corridor/Sycamore Canyon.

As shown in the enclosed tables, the percentage reduction assumed for the Arlington is higher than the reductions assumed for other Project Areas. This is because the historical appeal activity in Arlington has resulted in some significant reductions and assessed value declines.

Because of Riverside County's allocation methodology, tax refunds should not impact the Agency regardless of how the outstanding appeals are resolved. Estimates for tax refunds have therefore not been assumed herein. See "Property Tax Allocation Procedures" under Section E below for additional information on Riverside County's allocation procedures.

Section E – Tax Allocation and Disbursement

Tax Rates

Tax increment revenues included in this analysis are computed based upon incremental assessed value for each Project Area multiplied by a 1.0 percent tax rate. Actual taxes allocated by the County to the Project Areas, however, are based on a tax rate that is in excess of 1.0 percent. The tax rate utilized by the County consists of the general tax levy of \$1.00 per \$100 of assessed value and the override tax rate which represents the debt service levy where indebtedness has been authorized by voter approval. An amendment to the Constitution prohibits redevelopment agencies from receiving taxes generated by override tax rates which were approved by the voters after December 31, 1988.

Override tax rates typically decline each year for two reasons: 1) increasing property values reduce the override rate needed to be levied by the taxing entities to meet debt service; and 2) voter approved debt is eventually retired over time.

For the 2005-06 fiscal year, tax increment revenues allocated to the Project Areas are based on a single tax rate: 1.0052 percent. The table below shows the components of the applicable override rate, excluding any rates associated with indebtedness approved by the voters in 1989 or thereafter.

Taxing Entity	2005-06 Rate
Metropolitan Water District	0.00520 %
General	1.00000 %
Total Tax Rate	1.00520 %

As mentioned above, the tax increment revenue projections included herein are calculated without the inclusion of any override rates, i.e., the revenue projections are based on a 1.0 percent tax rate.

Property Tax Allocation Procedures

The method by which a county allocates property taxes and tax increment revenues can have a significant impact on the receipt of such revenues. A description of some of Riverside County's procedures is included below.

Riverside County computes preliminary incremental assessed values for redevelopment project areas by property category early in each fiscal year. The report is then generated a second time after the equalized values are available.

Tax increment is allocated by the County based on the second calculation. With the exception of supplemental revenues, tax disbursements to redevelopment agencies are not impacted by delinquencies or roll adjustments. The majority of the tax increment revenues received by the Agency are disbursed in two payments by the County: 50% in January and 50% in May. Since 1989, unitary revenues have been disbursed separately, lagging behind tax increment disbursements by fifteen to sixty days. In addition, supplemental revenues are disbursed as collected, on a monthly basis. (Supplemental revenues result from a one time "additional" assessment of property at the time of a change in ownership or completion of construction.)

The County accounts for delinquencies and taxable value changes only on a County-wide basis. Taxing entities are impacted by delinquencies and value changes that occur throughout the County and are only indirectly impacted by changes within their specific jurisdictions. It is the County's current policy to allocate to redevelopment agencies 100 percent of the calculated tax increment due the project area without adjustment for delinquencies, redemption payments or roll adjustments. This policy is set administratively and is therefore subject to change.

A review of the tax receipts for the Project Area confirms that the County has been allocating revenues in accordance with their current administrative policy. The result of the policy is that the Project Area is somewhat insulated from the impacts of appeals, tax refunds and taxable value adjustments.

Historical Tax Increment Revenues

As stated above, Riverside County does not adjust allocations of taxes paid to redevelopment agencies for actual tax collections. As a result, the County distributes 100 percent of the tax levy for each Project Area to the Agency. In addition, it also allocates to the Agency supplemental tax revenues.

Tax receipts for all of the Project Areas generally exceeded 100 percent of levy in each year analyzed with one exception. In 2002-03, tax receipts for the Magnolia Center Project Area equaled 96 percent of the estimated tax levy. The reason the Agency received less than the levy amount in this instance is because of negative supplemental revenues. While supplemental revenues are typically positive, negative supplemental assessments can occur when factors occur after the January 1 tax lien date that result in valuation reductions, such as property demolition or a property transfer for a sales price less than the existing assessed value. For the Magnolia Center Project Area, the negative supplemental assessments in 2002-03 are believed to be related to the demolition which occurred at Riverside Plaza.

(Riverside Plaza was an aging mall that was demolished in 2001 and 2002 and is now nearly fully rebuilt as an outdoor retail center.)

Section F – Tax Increment Projections

Tax increment revenues are calculated by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value. Applicable tax rates are then applied to the incremental taxable value in order to determine tax increment revenues.

Unitary revenues are allocated by the County based on a formula, as specified by AB 454. The amount of unitary revenue each Project Area is entitled to receive varies from Project Area to Project Area. The amount of unitary revenue allocable for each Project Area is relatively small, from \$0 to \$30,000. The specific amount estimated to be received by each area in 2006-07 is separately identified in Tables 6.1 to 6.5.

The Agency also routinely receives supplemental property taxes for the Project Areas. Due to the difficulty of estimating supplemental revenues, such revenues have not been included in the enclosed revenue projections. Supplemental property taxes typically increase the amount of tax increment revenue actually received, although negative supplemental assessments can occur, as they did in the Magnolia Center Project Area in 2002-03.

Housing Set-Aside

Redevelopment agencies are required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low- and moderate-income housing programs. The proposed financing for which this Report was prepared does not include an additional pledge of these revenues, referred to as the Housing Set-Aside or Housing Revenue. The 1999 Bonds for the University Corridor/Sycamore Canyon Project Area does involve a pledge of Housing Revenues. As a result, a portion of the debt service on the 1999 Bonds are paid from the Housing Funds. The revenue estimates included in this Report for all Project Areas include deductions in the amount of 20 percent of gross tax increment to reflect the full Housing Set-Aside obligation, without any adjustments for the amount of Housing Set-Aside that is available to pay debt service on the 1999 Bonds.

Current and Projected Revenues

Current year (2006-07) assessed values and current year projections of Tax Revenues are detailed by Project Area on Tables 6.1 to 6.5. The 2006-07 estimates of revenues are based on current year information, as reported by Riverside County. The only exception is the use of an artificially low 1.0 percent tax rate. The actual 2005-06 tax rate for all of the Project Areas is 1.0052 percent the actual 2006-07 rate was not available at the time the major research for this report was completed in August 2006.

The estimates of future tax increment revenues are detailed by Project Area in Tables 7.1 to 7.5. Unitary revenues and other property are assumed to remain at their 2006-07 levels in 2007-08 and thereafter. The other categories of assessed values reported for 2006-07 are

assumed to change in future fiscal years. Elements which are projected to modify future assessed values and/or revenues are as follows:

Impacts to Future Values	Assumption
Positive Impacts:	
Trended Taxable Value	Proposition 13 Inflationary Trend
Property Transfers	Properties which transferred ownership from 1/01/06 to 8/31/06
New Development	Projects which were completed or under construction in December 2006
Impacts to Future Values	Assumption
Negative Impacts:	
Appeals	10 - 15 percent reduction
Taxable Value Reduction in La Sierra for 2006 Amendment	2006 Amendment deleting territory negatively impacts tax increment in 2007-08

Trended Taxable Value: In California, real property values (land and improvements) are subject to an annual inflationary increase, as allowed under Proposition 13. The maximum inflation factor that county assessors can use to increase assessed values is two percent. Since Proposition 13 was enacted, the inflation factor has equaled the 2.0 percent maximum in most, but not all fiscal years. Since 1990, the inflation factor has been under 2.0 percent for four fiscal years: 1.19 percent for 1995-96, 1.10% for 1996-97; 1.85 percent for 1998-99; and 1.87 percent for 2004-05.

The future year revenue estimates (Table 7.1 to 7.5) are based on the assumption of a 2.0 percent factor in 2007-08 and thereafter. Should the inflation factor in future fiscal years be less than the 2.0 percent assumed, or the County Assessor not apply the inflation factor to property in the Project Areas, tax increment could be lower than that shown on the enclosed tables in future fiscal years.

Taxable Value Adjustments: In July of 2006 the Agency adopted an amendment to the La Sierra/Arlanza Project Area, which amendment deleted slightly over 300 acres. The deletion of territory will affect both the current year and base year taxable values for the Project Area, but not until the 2007-08 fiscal year. The estimated effect of this deletion has been incorporated into the revenue projections included in Table 7.3; the estimated values for the 2006 deletion area are shown in Table 8.3.2.

Property Transfers: Real estate records were reviewed to determine the impact to assessed values for recent property transfers that are not yet on the tax roll. Specifically, all transfers for which full sales price and assessed value information was available since the 2006-07 lien date (January 1, 2006) were quantified and the estimated increase to assessed

value calculated. The specific period analyzed is January 1, 2006 through August 31, 2006. No estimate of assessed value changes that might result from property transfers after August 31 is included in the enclosed revenue estimates.

New Development: Projects which were under construction or completed as of December 2006 are assumed to add value to the Project Areas in 2007-08 and 2008-09. In Hunter Park, some new construction projects, particularly for sale-residential projects, are estimated to add value through 2009-10. The projects which are included in the revenue projections are outlined by Project Area in Tables 8.1 to 8.5.

Appeals: Assumptions regarding the resolution of appeals that are utilized in the enclosed projections are as shown in Tables 5.1 through 5.5 and presented in the above "Assessment Appeals" section. Valuation reductions resulting from the resolution of appeals are assumed to occur in 2007-08. Refunds related to the resolution of these appeals have not been incorporated into the revenue projections as the County's practice for the allocation of those refunds holds redevelopment agencies harmless.

Plan Limitations: The individual subareas of the redevelopment project areas are each entitled to receive tax increment revenues for different time durations. The tax increment projections included in this Report are based on the assumption that revenues will cease to be received by the Agency for a given subarea after the applicable tax increment receipt deadline passes. The most current deadlines for the receipt of tax increment revenues for each subarea are outlined in Table 1.

Section G – Agency Obligations

The Agency's Project Areas are subject to differing tax sharing requirements, depending upon the year the Project was adopted, negotiations with base year taxing entities, if applicable, and certain other subsequent actions of the Agency. The newer Project Areas, including Arlington, Hunter Park, La Sierra/Arlanza, and Magnolia Center, do not have written tax sharing agreements but are subject to tax sharing provisions under 1994 legislation, AB 1290. The only Project Area subject to written tax sharing agreements is the University Corridor/Sycamore Canyon Merged Project, although the portions of the Project added in 1998 are subject to AB 1290 rather than the written tax sharing agreements. In addition, the older subareas of the Merged Project have been amended to modify their debt incurrence deadlines, and as such, have recently also become subject to the tax sharing provisions of AB 1290.

A description of the types of tax sharing requirements and their impact on the Project Areas is included below.

AB 1290

Legislation adopted in 1993 required that all new redevelopment project areas, as well as geographical areas added to existing projects, be subject to uniform tax sharing payments. A brief summary of the provisions of the legislation as it relates to the different circumstances is included below.

New Projects: For the first 10 years of a project area newly adopted after 1993, an agency must share with all affected taxing entities an amount equal to 20 percent of gross tax increment revenue. In years 11 through 30, an agency must also share 16.8 percent of that portion of gross taxes that represent an increase over the year 10 levels. Amounts required to be passed through increase again in year 31 and thereafter.

The only exception to this total pass through percentage (20 percent, 16.8 percent, etc.) is for the local legislative body (e.g., the City). The City can either elect to receive its share, at least its share of the first 20 percent. For the purpose of estimating the AB 1290 payments for the newer Project Areas, all taxing entities, including the City, are assumed to be paid their pass through payments.

Adding Territory: When an area is added to an existing Project Area, the amended area is subject to the tax sharing provisions described above for new subareas while the areas which existed before the amendment continue to be subject to the tax sharing provisions in effect, if any, when the area was previously adopted and/or amended.

Other Amendments: AB 1290 pass through payments are also applicable when an existing project is amended to increase one or more of its time and/or revenue limitations. The AB 1290 pass through requirement is triggered when the first original deadline that was amended is reached. For instance, for those project areas where the debt incurrence limit is the first limit to be reached, the AB 1290 pass through would be payable in the fiscal year after the limit is reached, in many cases fiscal year 2004-05. The amount payable to all taxing entities would equal 20 percent of the increase above the 2003-04 levels, not 20 percent of all tax increment revenue. If assessed values are not higher than the 2003-04 amounts, no tax sharing payment would be due. The second tier of tax sharing would become applicable 10 years later, in 2014-15. The amount due would equal 16.8 percent of the increase above the 2013-14 level. In addition, AB 1290 pass through payments are not due to taxing entities already receiving tax sharing payments as a result of written tax sharing agreements.

Written Tax Sharing Agreements

Written tax sharing agreements are not standard like AB 1290 tax sharing payments. Each agreement specifies unique terms and conditions. At the basis of each, however, is an agreement to pay all or a portion of each taxing entity's share of tax increment revenues. Taxing entity's share is defined as the amount of revenue the entity would have received had the redevelopment project area not been formed. Of the Project Areas included in the proposed financing, only the University Corridor/Sycamore Canyon Merged Project is subject to the provisions of written tax sharing agreements. Summaries of the terms and provisions of the tax sharing agreements applicable to the Merged Project are included in Table 9.1

Section H – Other Issues

Special Redevelopment Plan Provisions

The 2003 Amendment Area of the Arlington Project Area was adopted with certain restrictions as to where the tax increment revenues are spent. The 2003 Amendment Area is bifurcated into two separate areas: Subareas A through D comprise the primary

amendment area and the Auto Center, or Subareas E and F, is the secondary amendment area. According to the 2003 Redevelopment Plan, tax increment revenues generated by each of these subareas are to be accounted for separately. Taxes generated by the Auto Center sub area are to be spent only in the Auto Center area, at least for the first 15 years. Conversely, taxes generated by the Existing Project Area and Subareas A through D cannot be spent in the Auto Center subarea, at least for the first 15 years. After 15 years, somewhat lessened restrictions come into effect. The enclosed revenues projections shown on Table 7.1 exclude taxes generated by the Auto Center, or Subareas E and F.

Current Legislative Requirements

Due to shortfalls in the state budget, from time to time the state has required that redevelopment agencies pay a certain portion of tax increment revenues into a state fund for schools, known as the Educational Revenue Augmentation Fund (ERAF). The required redevelopment payments offset the need for a similar amount of state aid to education. The Agency has been required to make ERAF contributions in the following fiscal years: 1993-94; 1994-95; 2002-03; 2003-04; 2004-05; 2005-06.

The ERAF obligations, while based on tax increment revenues generated in each of the Project Areas in previous fiscal years, has historically been payable from any source of funds of the Agency, with the exception of housing tax increment. The state budget for 2006-07 was passed without the requirement for an additional ERAF contribution, although such a measure could possibly be adopted by the legislature in a future fiscal year.

Caveats

The value and revenue estimates contained in this Report are based upon information, data and assumptions believed to be reasonable and accurate. The assessment practices and county allocation procedures discussed in this Report are based on information provided by representatives of Riverside County. Assessment practices and allocation procedures are set, in part, administratively and can be changed. Nothing came to the fiscal consultant's attention during this review to indicate that any changes are imminent. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore are not represented as results that will actually be achieved. The analyses presented herein, however, have been conscientiously prepared on the basis of the fiscal consultant's experience in the field of financial analysis for redevelopment agencies.

Table 1
Redevelopment Agency of the City of Riverside
Redevelopment Plan Limits Summary

PROJECT/AMENDMENT	ORD. #	DATE ADOPTED	----- CURRENT LIMITS -----					
			INCUR DEBT	PLAN TERM	RECEIVE TAX INCR.	TAX INCR. LIMIT	BONDED DEBT LIMIT	EMINENT DOMAIN
ARLINGTON PROJECT								
Original Area (1)	4619	11/28/1978	1/1/2014	11/28/2021	11/28/2031	50,000,000	Comb. w/2nd	5/13/2011
1st Amndmt (1290 conformity)	6193	12/20/1994				N/A	N/A	N/A
Area Added by 2nd Amndmt (1)	6466	4/13/1999	4/13/2019	4/13/2030	4/13/2045	None	75,000,000	5/13/2011
Area Added by 3rd Amndmt (1)	6685	6/24/2003	6/24/2023	6/24/2034	6/24/2049	None	50,000,000	7/24/2015
Amendment (1-Year for 2003-04 ERAF)	6908	10/3/2006						
Amendment (2-Year for 2004-05 & 2005-06 ERAF)	6910	10/3/2006						
HUNTER PARK/NORTHSIDE								
Original Area (1)	6686	6/24/2003	6/24/2023	6/24/2034	6/24/2049	None	115,000,000	7/24/2015
Amendment (1-Year for 2003-04 ERAF)	6906	10/3/2006						
Amendment (2-Year for 2004-05 & 2005-06 ERAF)		Not Eligible						
LA SIERRA/ARLANZA (2)								
Original Area	6739	7/13/2004						
1st Amendment (Delete Territory)	6828	10/18/2005						
2nd Amendment (Delete Territory) (1)	6892	7/25/2006	7/13/2024	7/13/2034	7/13/2049	None	235,000,000	8/13/2016
Amendment (1-Year for 2003-04 ERAF)		Not Eligible						
Amendment (2-Year for 2004-05 & 2005-06 ERAF)		Not Eligible						
MAGNOLIA CENTER								
Original Area (1)	6441	7/14/1998	7/14/2018	7/14/2029	7/14/2044	None	55,000,000	8/14/2010
Amendment (1-Year for 2003-04 ERAF)	6905	10/3/2006						
Amendment (2-Year for 2004-05 & 2005-06 ERAF)		Not Eligible						
MERGED UC/SYCAMORE CANYON PROJECT						619,000,000	187,000,000	7/8/2009
University Corridor (Central Industrial)								
Original Area	4471	10/25/77	1/1/2014	10/25/2020	10/25/2030			
Area Added by 1st Amndmt	5239	11/27/84	11/27/2014	11/27/2027	11/27/2037			
2nd Amndmt (no area added)	6099	12/20/94	-	-	-			
3rd Amndmt (1290 conformity)	6188	12/20/94	-	-	-			
Area Added by 4th Amndmt (merger)	6382	07/08/97	7/8/2017	7/8/2028	7/8/2043			
Amendment (2-Year for 2004-05 & 2005-06 ERAF)	6913	10/03/06	-	-	-			
Amendment (1-Year for 2003-04 ERAF)	6914	10/03/06	-	-	-			
Sycamore Canyon								
Original Area	5148	12/20/83	1/1/2014	12/20/2026	12/20/2036			
1st Amndmt (1290 conformity)	6192	12/20/94	-	-	-			
Area Added by 2nd Amndmt (merger)	6383	07/08/97	7/8/2017	7/8/2028	7/8/2043			
Amendment (2-Year for 2004-05 & 2005-06 ERAF)								
Amendment (1-Year for 2003-04 ERAF)								

- (1) Eminent domain time limit is 12 years from effective date of Plan versus a time frame starting from date of Plan adoption.
(2) Eminent domain time limit is 12 years from effective date of the original Plan adoption. In many instances, eminent domain is prohibited on residential properties that are primarily single-family in nature. See Section 2 of Ordinance No. 6892 for additional information.

Table 2.1
City of Riverside Redevelopment Agency
Land Use Category Summary

Arlington Redevelopment Project Area (1)

Category of Value	# of Parcels	2006-07 Value	Percentage
Residential	1,193	300,853,915	40.84%
Commercial	239	215,598,481	29.27%
Industrial	15	35,463,566	4.81%
Recreational	2	4,800,000	0.65%
Institutional	22	31,043,604	4.21%
Vacant Land	235	32,417,960	4.40%
SBE (2)	6	404,411	0.05%
Possessory Interest (2)	6	8,407,727	1.14%
Unsecured (2)	580	68,991,585	9.37%
Miscellaneous	-	-	0.00%
Unknown	336	38,628,380	5.24%
Total	2,042	736,609,629	100.00%

- (1) Excludes subareas E and F of the 2003 Amendment because of restrictions on the spending of those funds.
(2) Indicates the number of assessments in this category but actually represent a duplicate parcel count, and so are not included in the total parcel count.

Hunter Park Redevelopment Project Area

Category of Value	# of Parcels	2006-07 Value	Percentage
Residential	2,035	365,798,891	30.90%
Commercial	95	180,306,149	15.23%
Industrial	276	387,669,980	32.74%
Recreational	-	-	0.00%
Institutional	7	3,331,059	0.28%
Vacant Land	470	63,682,975	5.38%
SBE (1)	29	1,316,130	0.11%
Possessory Interest (1)	4	69,554	0.01%
Unsecured (1)	635	141,046,499	11.91%
Miscellaneous	-	-	0.00%
Unknown	380	40,739,461	3.44%
Total	3,263	1,183,960,698	100.00%

- (1) Indicates the number of assessments in this category but actually represent a duplicate parcel count, and so are not included in the total parcel count.

Source: Riverside County Assessment Records

Table 2.2
City of Riverside Redevelopment Agency
Land Use Category Summary

La Sierra/Arlanza Redevelopment Project Area (1)

Category of Value	# of Parcels	2006-07 Value	Percentage
Residential	9,400	2,166,546,940	63.88%
Commercial	291	524,653,942	15.47%
Industrial	125	136,121,510	4.01%
Recreational	7	21,557,072	0.64%
Institutional	55	56,883,723	1.68%
Vacant Land	708	97,187,544	2.87%
SBE (2)	9	686,997	0.02%
Possessory Interest (2)	243	12,679,169	0.37%
Unsecured (2)	1,190	155,377,019	4.58%
Miscellaneous	10	8,086,936	0.24%
Unknown	1,957	211,712,860	6.24%
Total	12,553	3,391,493,712	100.00%

- (1) Includes values and categories attributable to the 2006 deletion area, which deduction will not be effective until a following fiscal year. See Table 8.3.2 for the value of the area deleted.
(2) Indicates the number of assessments in this category but actually represent a duplicate parcel count, and so are not included in the total parcel count.

Magnolia Center Redevelopment Project Area

Category of Value	# of Parcels	2006-07 Value	Percentage
Residential	264	60,903,954	11.82%
Commercial	294	294,805,788	57.22%
Industrial	2	7,385,202	1.43%
Recreational	3	6,627,670	1.29%
Institutional	43	43,189,192	8.38%
Vacant Land	53	8,757,190	1.70%
SBE (1)	11	470,616	0.09%
Possessory Interest (1)	-	-	0.00%
Unsecured (1)	696	67,619,324	13.12%
Miscellaneous	-	-	0.00%
Unknown	133	25,463,442	4.94%
Total	792	515,222,378	100.00%

- (1) Indicates the number of assessments in this category but actually represent a duplicate parcel count, and so are not included in the total parcel count.

Source: Riverside County Assessment Records

Table 2.3
City of Riverside Redevelopment Agency
Land Use Category Summary

University Corridor/Sycamore Canyon Merged Project Area

Category of Value	# of Parcels	2006-07	Percentage
Residential	318	187,970,386	21.19%
Commercial	152	192,274,234	21.67%
Industrial	84	332,035,711	37.43%
Recreational	-	-	0.00%
Institutional	9	2,416,654	0.27%
Vacant Land	240	63,573,874	7.17%
SBE (1)	38	2,984,513	0.34%
Possessory Interest (1)	8	494,794	0.06%
Unsecured (1)	303	91,626,361	10.33%
Miscellaneous	-	-	0.00%
Unknown	102	13,819,886	1.56%
Total	905	887,196,413	100.00%

(1) Indicates the number of assessments in this category but actually represent a duplicate parcel count, and so are not included in the total parcel count.

Source: Riverside County Assessment Records

Table 3.1
City of Riverside Redevelopment Agency
Major 2006-07 Taxpayers - Secured and Unsecured

Arlington Redevelopment Project

No	Assessee Name	Subarea (1)	Use	# of Parcels	2006-07 Secured	2006-07 Unsecured	2006-07 Total	% of Total Value	% of Incr. Value
1	Mept 501 Inc (2)	Arlington/1999	Multi-family Residential	1	47,029,281		47,029,281	6.38%	12.78%
2	Lowes HIW Inc	Arlington/1999	Home Impr. Store/Center	3	18,542,501		18,542,501	2.52%	5.04%
3	Wal Mart Real Estate Bus (3)	Arlington/1999	Discount Store/Center	2	13,097,395	1,846,396	14,943,791	2.03%	4.06%
4	Kensington Van Buren	Arlington/1999	Commercial	2	14,866,500		14,866,500	2.02%	4.04%
5	Fleetwood Enterprises Inc	Arlington/1999	Manufacturing	3	9,784,156	4,244,632	14,028,788	1.90%	3.81%
6	D R Horton Los Angeles Hldg	Arlington/2003	For-Sale Residential	131	13,231,172	180,000	13,411,172	1.82%	3.65%
7	Aanesson Stonewood Apts	Arlington/1999	Multi-family Residential	2	12,866,090		12,866,090	1.75%	3.50%
8	Smiths Food & Drug Center	Arlington/1999	Grocery Store/Center	1	7,661,500	2,527,877	10,189,377	1.38%	2.77%
9	ACC Riverside	Arlington/2003	Commercial	7	9,800,000		9,800,000	1.33%	2.66%
10	MBK Home LTD	Arlington/1999	For-Sale Residential	98	9,633,868		9,633,868	1.31%	2.62%
TOTAL MAJORS				250	156,512,463	8,798,905	165,311,368	22.44%	44.93%
TOTAL PROJECT AREA VALUE							736,609,629	100.00%	
INCREMENTAL PROJECT AREA VALUE							367,916,124		

- (1) Excludes subareas E and F of the 2003 Amendment because of restrictions on the spending of monies from the subarea.
(2) Value shown includes the value of the property formerly owned by Fairfield Van Buren, plus property owned by Mept 501 Inc in 2005-06.
(3) An appeal is currently outstanding on this property: see Table 5 for additional information.

Source: Riverside County Assessment Records

Table 3.2
City of Riverside Redevelopment Agency
Major 2006-07 Taxpayers - Secured and Unsecured

Hunter Park Redevelopment Project

No	Assessee Name	Use	# of Parcels	2006-07 Secured	2006-07 Unsecured	2006-07 Total	Percentage of Total Value	% of Incr. Value
1	Koll/Per (1)	Commercial/Industrial	8	40,544,995	100,000	40,644,995	3.43%	9.34%
2	Operating Engineers Fund	Commercial/Industrial	17	24,250,521		24,250,521	2.05%	5.57%
3	Troy Coolidge No. 3	Commercial/Industrial	1	23,760,899		23,760,899	2.01%	5.46%
4	Citrus Lewis Partnership	Commercial/Industrial	5	22,319,038		22,319,038	1.89%	5.13%
5	Rustin Avenue Investors	Commercial/Industrial	1	21,363,961		21,363,961	1.80%	4.91%
6	Luxfur	Industrial	1	9,461,000	8,974,024	18,435,024	1.56%	4.24%
7	KB Home Coastal Inc	Residential/Vacant	72	14,621,882	309,337	14,931,219	1.26%	3.43%
8	Magnon Group/Ray Magnon	Commercial	5	14,266,701	347,973	14,614,674	1.23%	3.36%
9	Blue Mountain - One and Two	Commercial	5	13,535,590		13,535,590	1.14%	3.11%
10	Bourns Inc	Industrial	1	13,179,497	52,455	13,231,952	1.12%	3.04%
TOTAL MAJORS			116	197,304,084	9,783,789	207,087,873	17.49%	47.58%
TOTAL PROJECT AREA VALUE						1,183,960,698		
INCREMENTAL PROJECT AREA VALUE						435,242,240		

(1) Formerly Marlborough Sq Equities.

Source: Riverside County Assessment Records

Table 3.3
City of Riverside Redevelopment Agency
Major 2006-07 Taxpayers - Secured and Unsecured

La Sierra Redevelopment Project (1)

No	Assessee Name	Use	# of Parcels	2006-07 Secured	2006-07 Unsecured	2006-07 Total	Percentage of Total Value	% of Incr. Value
1	Tyler Mall Ltd Partnership	Regional Mall	8	147,310,713		147,310,713	4.34%	13.31%
2	BRE Prop Inc	Multifamily Residential	2	76,250,840		76,250,840	2.25%	6.89%
3	Kaiser Foundation Hospitals	Hospital	3	42,914,653	3,213,461	46,128,114	1.36%	4.17%
4	Stremicks Heritage Foods LLC	Industrial	1	-	29,649,533	29,649,533	0.87%	2.68%
5	River Oaks Realty	For-Sale Residential	193	26,009,866		26,009,866	0.77%	2.35%
6	Lend Lease AR Glenbrook	Multifamily Residential	3	23,799,779		23,799,779	0.70%	2.15%
7	Polk Schaefer	Multifamily Residential	2	23,218,016		23,218,016	0.68%	2.10%
8	Realty Income Corp	Commercial	6	18,550,115		18,550,115	0.55%	1.68%
9	Nordstrom Inc (2)	Department Store	1	16,241,645		16,241,645	0.48%	1.47%
10	La Sierra College	Various	29	15,029,844	-	15,029,844	0.44%	1.36%
TOTAL MAJORS			248	389,325,471	32,862,994	422,188,465	12.45%	38.14%
TOTAL PROJECT AREA VALUE						3,391,493,712	100.00%	
INCREMENTAL PROJECT AREA VALUE						1,107,072,229		

- (1) La Sierra was amended in 2006 to delete certain property, which deletion will be effective in years subsequent to 2006-07. None of the assesses shown above are located in the area to be deleted from the Project Area.
- (2) An appeal is currently outstanding on this property: See Table 5 for additional information.

Source: Riverside County Assessment Records

Table 3.4
City of Riverside Redevelopment Agency
Major 2006-07 Taxpayers - Secured and Unsecured

Magnolia Center Redevelopment Project

No	Assessee Name	Use	# of Parcels	2006-07 Secured	2006-07 Unsecured	2006-07 Total	Percentage of Total Value	% of Incr. Value
1	Riverside Plaza	Shopping Center	11	\$48,409,133	6,698	48,415,831	9.40%	23.76%
2	Magnolia Town Center Assoc	Neighborhood Retail	3	\$22,556,636		22,556,636	4.38%	11.07%
3	WPI Arcal (1)	Neighborhood Retail	2	\$16,109,322		16,109,322	3.13%	7.91%
4	Riverside Clinic Inv IV (1)	Medical Clinic	13	\$13,961,604	2,020,310	15,981,914	3.10%	7.84%
5	Vons Co Inc. (1)	Neighborhood Retail	1	\$9,636,311		9,636,311	1.87%	4.73%
6	B H Central	Shopping Center	3	\$9,152,740		9,152,740	1.78%	4.49%
7	Sears Roebuck & Co (1)	Department Store	2	\$8,733,485		8,733,485	1.70%	4.29%
8	Central Corporate Center	Office	1	\$8,002,294		8,002,294	1.55%	3.93%
9	Attic Mini Storage	Self Storage	1	\$6,389,633		6,389,633	1.24%	3.14%
10	Van Duong	Formerly Arlington Royale	1	\$6,116,242		6,116,242	1.19%	3.00%
TOTAL MAJORS			38	149,067,400	2,027,008	151,094,408	29.33%	74.14%
TOTAL PROJECT AREA VALUE						515,222,378	100.00%	
INCREMENTAL PROJECT AREA VALUE						203,785,686		

(1) Appeals estimated to impact future values/revenues are currently outstanding on these properties: see Table 5 for additional information.

Source: Riverside County Assessment Records

Table 3.5
 City of Riverside Redevelopment Agency
 Major 2006-07 Taxpayers - Secured and Unsecured

University Corridor/Sycamore Canyon Merged Project

No	Assessee Name	Subarea	Use	# of Parcels	2006-07 Secured	2006-07 Unsecured	2006-07 Total	Percentage of Total Value	% of Incr. Value
1	State St Bank/Ralphs (3)	Sycamore - Original	Food Distr.Facility	2	80,153,079	31,388,211	111,541,290	12.57%	14.30%
2	Bottling Group (3)	Sycamore - Original	Manufacturing/Pepsi	2	51,940,302		51,940,302	5.85%	6.66%
3	Phelan Prop	Sycamore - Original	Industrial	9	47,696,760		47,696,760	5.38%	6.12%
4	Riverside Student Housing	UC - 1985 Annex	Residential	1	39,467,550		39,467,550	4.45%	5.06%
5	Bryan H. Richter	UC - 1985 Annex	Residential	1	38,970,794	185,398	39,156,192	4.41%	5.02%
6	Riverside Village (1)	UC - 1985 Annex	Retail/Office/Theaters	6	36,328,896		36,328,896	4.09%	4.66%
7	Sequoia Equities/Univ Vil (1)	UC - 1985 Annex	Residential	1	32,885,436		32,885,436	3.71%	4.22%
8	Space Center Syc Canyon	Sycamore - Original	Industrial/Office Park	2	29,765,479		29,765,479	3.36%	3.82%
9	D & N Inv. LLC (2)	Sycamore - Original	Industrial/Commercial	2	15,849,369		15,849,369	1.79%	2.03%
10	Riverside Gateway	UC - Original	Commercial	2	15,813,425		15,813,425	1.78%	2.03%
TOTAL MAJORS				28	388,871,090	31,573,609	420,444,699	47.39%	53.91%
TOTAL PROJECT AREA VALUE							887,196,413	100.00%	
INCREMENTAL PROJECT AREA VALUE							779,836,654		

(1) The value for former major taxpayer, University Village, has been bifurcated into the Riverside Village and Sequoia Equities properties.

(2) Formerly Thomas Weborg.

(3) Appeals estimated to impact future values/revenues are currently outstanding, or were recently resolved, for these properties: see Table 5 for additional information.

Source: Riverside County Assessment Records

Table 4.1
Redevelopment Agency of the City of Riverside
Historical Taxable Values

Individual Projects

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
ARLINGTON (1)						
Secured	325,608,730	337,954,194	373,292,262	476,231,200	555,916,137	667,213,633
SBE	529,811	481,672	436,198	417,974	425,032	404,411
Unsecured	30,366,581	35,441,009	36,493,826	50,251,900	58,011,459	68,991,585
TOTAL VALUE	356,505,122	373,876,875	410,222,286	526,901,074	614,352,628	736,609,629
% Change		4.87%	9.72%	28.44%	16.60%	19.90%

5-Year Growth	
Total \$\$ Change	380,104,507
Total % Change	106.62%
Average \$\$ Change	76,020,901
Average % Change	21.32%

HUNTER PARK/NORTHSIDE (1)						
Secured	-	629,851,866	652,134,019	731,048,569	822,503,019	1,041,598,069
SBE	-	1,448,186	N/A	1,427,596	1,423,850	1,316,130
Unsecured	-	117,418,406	118,890,392	133,085,304	127,505,556	141,046,499
TOTAL VALUE	-	748,718,458	771,024,411	865,561,469	951,432,425	1,183,960,698
% Change		N/A	2.98%	12.26%	9.92%	24.44%

4-Year Growth	
Total \$\$ Change	435,242,240
Total % Change	58.13%
Average \$\$ Change	108,810,560
Average % Change	14.53%

- (1) Excludes subareas E and F of the 2003 Amendment because of restrictions on the spending of those funds. In 2004-05, the increase shown reflects the addition of subareas A through D of the 2003 Annex.
- (1) Assesed values shown for Hunter Park in 2003-04 represent "unofficial" values totaled by parcel and may slightly overstate/understate the values for property in the La Sierra Project Area for that year.

Source: Riverside County Auditor-Controller

Table 4.2
Redevelopment Agency of the City of Riverside
Historical Taxable Values

Individual Projects

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
LA SIERRA/ARLANZA (1) (2)						
Secured		2,043,692,291	2,144,553,266	2,508,564,729	2,777,859,721	3,235,429,696
SBE		N/A	735,848	N/A	-	686,997
Unsecured		121,449,819	139,132,369	136,363,048	179,425,695	155,377,019
TOTAL VALUE	-	2,165,142,110	2,284,421,483	2,644,927,777	2,957,285,416	3,391,493,712
% Change		N/A	5.51%	15.78%	11.81%	14.68%

4-Year Growth	
Total \$\$ Change	1,226,351,602
Total % Change	56.64%
Average \$\$ Change	306,587,901
Average % Change	14.16%

MAGNOLIA CENTER						
Secured	303,300,283	312,784,206	319,661,175	342,405,456	392,081,278	447,132,438
SBE	599,115	575,788	507,521	540,458	530,041	470,616
Unsecured	53,356,022	55,529,454	51,189,178	56,615,485	63,124,174	67,619,324
TOTAL VALUE	357,255,420	368,889,448	371,357,874	399,561,399	455,735,493	515,222,378
% Change	N/A	3.26%	0.67%	7.59%	14.06%	13.05%

5-Year Growth	
Total \$\$ Change	157,966,958
Total % Change	44.22%
Average \$\$ Change	31,593,392
Average % Change	8.84%

- (1) La Sierra was amended in 2005 and again in 2006 to delete certain property. The values shown above have been reduced, if applicable, from amounts reported to reflect the impact on assessed values of the elimination of property from the 2005 amendment, but not the 2006 amendment.
- (2) Assesed values shown for 2002-03 and 2004-05 represent "unofficial" values totaled by parcel and may overstate/understate the value of property in the Project Area in those years.

Source: Riverside County Auditor-Controller

Table 4.3
Redevelopment Agency of the City of Riverside
Historical Taxable Values

Merged University Corridor/Sycamore Canyon Project

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
MERGED TOTAL						
Secured	380,246,995	429,418,145	489,819,599	543,417,911	621,618,810	792,585,539
SBE	3,801,666	3,354,812	2,939,003	2,844,610	2,883,067	2,984,513
Unsecured	71,547,365	80,451,514	74,567,980	76,046,481	78,495,398	91,626,361
TOTAL VALUE	455,596,026	513,224,471	567,326,582	622,309,002	702,997,275	887,196,413
% Change		12.65%	10.54%	9.69%	12.97%	26.20%

5-Year Growth	
Total \$\$ Change	431,600,387
Total % Change	94.73%
Average \$\$ Change	86,320,077
Average % Change	18.95%

PROJECT DETAIL

UNIVERSITY CORRIDOR

Secured	227,932,474	261,803,774	285,433,598	318,912,825	341,456,421	436,339,048
SBE	3,801,666	3,354,812	2,939,003	2,844,610	2,883,067	2,984,513.00
Unsecured	51,465,452	52,906,370	47,854,061	45,585,166	45,930,756	42,821,353
TOTAL VALUE	283,199,592	318,064,956	336,226,662	367,342,601	390,270,244	482,144,914
% Change		12.31%	5.71%	9.25%	6.24%	23.54%

Total \$\$ Change	198,945,322
Total % Change	70.25%
Average \$\$ Change	39,789,064
Average % Change	14.05%

SYCAMORE CANYON'

Secured	152,314,521	167,614,371	204,386,001	224,505,086	280,162,389	356,246,491
SBE	-	-	-	-	-	-
Unsecured	20,081,913	27,545,144	26,713,919	30,461,315	32,564,642	48,805,008
TOTAL VALUE	172,396,434	195,159,515	231,099,920	254,966,401	312,727,031	405,051,499
% Change		13.20%	18.42%	10.33%	22.65%	29.52%

Total \$\$ Change	232,655,065
Total % Change	134.95%
Average \$\$ Change	46,531,013
Average % Change	26.99%

Source: Riverside County Auditor-Controller

Table 5.1
City of Riverside Redevelopment Agency
Arlington Redevelopment Project
Pending Appeals (1)

APPLICANT	Project Subarea	Years Outstanding	No. of Assmts.	Applicants Opinion	Contested Value	Reduction Assumed (2)	Resolved Value	Est. Value Change
RESOLVED APPEALS (3)								
Ventas Realty Limited Partners	Arlington/2003	2004	1		3,691,637	(891,637)	2,800,000	
TOTAL RESOLVED					3,691,637	(891,637)	2,800,000	-
OUTSTANDING APPEALS (4)								
JL Management Co	Arlington/1999	2004	1	3,244,964	5,840,323			
Kindred Nursing Center West	Arlington/2003	2005	1	1,837,653	3,765,468			
Kmart	Arlington/1999	2005	3	1,592,615	3,735,303			
McDonalds [Shalhoub, Richard]	151-290-021 Arlington/1999	2005	1	1,054,597	1,738,109			
Ralph's Grocery	Various Arlington/1999	2005	3	8,737,133	10,771,312			
Union Dev Co	Arlington/1999	2005	1	4,434,000	7,389,239			
Van Buren Self Storage	Arlington/1999	2005	1	1,822,000	3,035,749			
Wal Mart Stores Inc.	151-290-020 Arlington/1999	2002 - 2004	1	1,358,386	2,010,254			
Miscellaneous	Various Arlington/1999	2004 - 2005	5	1,322,188	2,299,316			
TOTAL OUTSTANDING			17	25,403,536	40,585,073	15%	34,497,312	(6,087,761)
GRAND TOTAL AV REDUCTION			N/A	N/A	N/A	N/A	37,297,312	(6,087,761)

ESTIMATED TAX REFUNDS (5)

N/A

- (1) Based on Riverside County appeal database, updated through July 11, 2006.
- (2) For outstanding appeals, the reduction amount shown is estimated. The estimated reduction is based on recent appeal resolution history for the Project Area and other areas in the City of Riverside.
- (3) Includes appeals resolved since July 2006 and/or appeals estimated to have an impact on assessed values in 2007-08 and thereafter.
- (4) Includes appeals filed for 2005-06 and prior fiscal years; information on appeals filed for 2006-07 was not available as of October 2006.
- (5) Because of the way in which Riverside County allocates taxes to redevelopment agencies, the Agency will not be impacted by any refunds paid to taxpayers because of valuation reductions resulting from appeals.

Source: Riverside County Assessor's Appeal Database

Table 5.2
 City of Riverside Redevelopment Agency
 Hunter Park Redevelopment Project
 Pending Appeals (1)

APPLICANT	Project Subarea	Years Outstanding	No. of Assmts.	Applicants Opinion	Contested Value	Reduction Assumed (2)	Resolved Value	Est. Value Change
RESOLVED APPEALS (3)								
None Identified								
TOTAL RESOLVED					-	-	-	-
OUTSTANDING APPEALS (4)								
Fort Sutter Co	N/A	2003	2	8,000,000	9,642,000			
Kmart Corp	N/A	2004	2	62,248	622,492			
Miscellaneous	N/A	2002 - 2004	5	2,747,943	5,407,466			
TOTAL OUTSTANDING			9	10,810,191	15,671,958	10%	14,104,762	(1,567,196)
GRAND TOTAL AV REDUCTION			N/A	N/A	N/A	N/A	14,104,762	(1,567,196)

ESTIMATED TAX REFUNDS (5)

N/A

- (1) Based on Riverside County appeal database, updated through July 11, 2006.
- (2) For outstanding appeals, the reduction amount shown is estimated. The estimated reduction is based on recent appeal resolution history for the Project Area and other areas in the City of Riverside.
- (3) Includes appeals resolved since July 2006 and/or appeals estimated to have an impact on assessed values in 2007-08 and thereafter.
- (4) Includes appeals filed for 2005-06 and prior fiscal years; information on appeals filed for 2006-07 was not available as of October 2006.
- (5) Because of the way in which Riverside County allocates taxes to redevelopment agencies, the Agency will not be impacted by any refunds paid to taxpayers because of valuation reductions resulting from appeals.

Source: Riverside County Assessor's Appeal Database

Table 5.3
City of Riverside Redevelopment Agency
La Sierra/Arlanza Redevelopment Project
Pending Appeals (1)

APPLICANT	Project Subarea	Years Outstanding	No. of Assmts.	Applicants Opinion	Contested Value	Reduction Assumed (2)	Resolved Value	Est. Value Change
RESOLVED APPEALS (3)								
None Identified								
TOTAL RESOLVED					-	-	-	-
OUTSTANDING APPEALS (4)								
Arg Enterprises		2005	1	1,800,000	2,398,807			
David Dunn		2005	1	1,516,000	2,526,893			
Cyrus G Etemad		2003	1	7,000,000	9,150,000			
Collett Fairfield		2002	2	5,500,000	8,631,000			
Nordstrom Inc		2005	1	11,500,000	13,202,000			
Swiss Dairy Corp		2005	2	1,412,000	2,749,449			
Tirico Anthony		2005	1	4,500,000	8,153,268			
Miscellaneous	N/A	2003 - 2005	4	1,412,576	2,804,448			
TOTAL OUTSTANDING			10	34,640,576	49,615,865	10%	44,654,279	(4,961,587)
GRAND TOTAL AV REDUCTION			N/A	N/A	N/A	N/A	44,654,279	(4,961,587)

ESTIMATED TAX REFUNDS (5)

N/A

- (1) Based on Riverside County appeal database, updated through July 11, 2006.
- (2) For outstanding appeals, the reduction amount shown is estimated. The estimated reduction is based on recent appeal resolution history for the Project Area and other areas in the City of Riverside.
- (3) Includes appeals resolved since July 2006 and/or appeals estimated to have an impact on assessed values in 2007-08 and thereafter.
- (4) Includes appeals filed for 2005-06 and prior fiscal years; information on appeals filed for 2006-07 was not available as of October 2006.
- (5) Because of the way in which Riverside County allocates taxes to redevelopment agencies, the Agency will not be impacted by any refunds paid to taxpayers because of valuation reductions resulting from appeals.

Source: Riverside County Assessor's Appeal Database

Table 5.4
 City of Riverside Redevelopment Agency
 Magnolia Center Redevelopment Project
 Pending Appeals (1)

APPLICANT	Project Subarea	Years Outstanding	No. of Assmts.	Applicants Opinion	Contested Value	Reduction Assumed (2)	Resolved Value	Est. Value Change
RESOLVED APPEALS (3)								
None Identified								
TOTAL RESOLVED					-	-	-	-
OUTSTANDING APPEALS (4)								
Diagnostic Imaging Services		2004	1	1,600,000	2,979,658			
Riverside Medical Clinic Patient		2004	1	5,974,549	7,466,400			
Wpi Arcal		2004	2	8,300,000	15,483,781			
Sears Roebuck & Co		2005	1	721,486	7,214,873			
Vons		2005	1	1,098,178	8,847,760			
Miscellaneous	N/A	2005	4	75,973	421,383			
TOTAL OUTSTANDING			9	17,770,186	42,413,855	10%	38,172,470	(4,241,386)
GRAND TOTAL AV REDUCTION			N/A	N/A	N/A	N/A	38,172,470	(4,241,386)

ESTIMATED TAX REFUNDS (5)

N/A

- (1) Based on Riverside County appeal database, updated through July 11, 2006.
- (2) For outstanding appeals, the reduction amount shown is estimated. The estimated reduction is based on recent appeal resolution history for the Project Area and other areas in the City of Riverside.
- (3) Includes appeals resolved since July 2006 and/or appeals estimated to have an impact on assessed values in 2007-08 and thereafter.
- (4) Includes appeals filed for 2005-06 and prior fiscal years; information on appeals filed for 2006-07 was not available as of October 2006.
- (5) Because of the way in which Riverside County allocates taxes to redevelopment agencies, the Agency will not be impacted by any refunds paid to taxpayers because of valuation reductions resulting from appeals.

Source: Riverside County Assessor's Appeal Database

Table 5.5
City of Riverside Redevelopment Agency
University Corridor/Sycamore Canyon Merged Project
Pending Appeals (1)

APPLICANT	Project Subarea	Years Outstanding	No. of Assmts.	Applicants Opinion	Contested Value	Reduction Assumed (2)	Resolved Value	Est. Value Change
RESOLVED APPEALS (3)								
Pepsi Bottling Group	Syc/Original	2003	1	26,000,000	47,480,417	300,000	47,180,417	
TOTAL RESOLVED					47,480,417	300,000	47,180,417	-
OUTSTANDING APPEALS (4)								
Ralph's Grocery Co. (5)	Syc/Original	2005	2	N/A	N/A			
Sugarbush Properties Llc	UV/1985	2005	1	10,700,000	13,049,815			
Nek Prop Inc	Syc/Original	2004	1	1,632,000	2,374,750			
Miscellaneous	Various	2004 & 2005	4	2,445,295	4,077,908			
TOTAL OUTSTANDING			8	14,777,295	19,502,473	10%	17,552,226	(1,950,247)
GRAND TOTAL AV REDUCTION			N/A	N/A	N/A	N/A	64,732,643	(1,950,247)

ESTIMATED TAX REFUNDS (6)

N/A

- (1) Based on Riverside County appeal database, updated through July 11, 2006.
- (2) For outstanding appeals, the reduction amount shown is estimated. The estimated reduction is based on recent appeal resolution history for the Project Area and other areas in the City of Riverside.
- (3) Includes appeals resolved since July 2006 and/or appeals estimated to have an impact on assessed values in 2007-08 and thereafter.
- (4) Includes appeals filed for 2005-06 and prior fiscal years; information on appeals filed for 2006-07 was not available as of October 2006.
- (5) According to Riverside County appraisal staff, this appeal was withdrawn after July 11, 2006 without any assessed value reduction.
- (6) Because of the way in which Riverside County allocates taxes to redevelopment agencies, the Agency will not be impacted by any refunds paid to taxpayers because of valuation reductions resulting from appeals.

Source: Riverside County Assessor's Appeal Database

Table 6.1
Redevelopment Agency of the City of Riverside
Arlington Redevelopment Project
2006-07 Assessed Values and Revenues

Description	Original Area	2000 Annex	2003 Annex (1)	Total All Areas
ASSESSED VALUES (2)				
Secured				
Land	7,308,919	181,282,357	36,726,867	225,318,143
Improvements	10,957,243	381,406,887	81,796,067	474,160,197
Personal Property	50,000	8,787,720	7,921,777	16,759,497
Other Exemptions	(111,454)	(16,880,108)	(32,032,642)	(49,024,204)
Locally Assessed Secured	18,204,708	554,596,856	94,412,069	667,213,633
SBE Values	-	404,411	-	404,411
Secured Total	18,204,708	555,001,267	94,412,069	667,618,044
Unsecured				
Land	-	2,061	-	2,061
Improvements	1,412,053	20,084,459	6,275,809	27,772,321
Personal Property	1,903,793	23,739,494	15,573,916	41,217,203
Other Exemptions	-	-	-	-
Unsecured Total	3,315,846	43,826,014	21,849,725	68,991,585
TOTAL VALUE	21,520,554	598,827,281	116,261,794	736,609,629
TAX REVENUE				
Total Value (from above)	21,520,554	598,827,281	116,261,794	736,609,629
Less: Base Year	3,769,104	302,274,359	62,650,042	368,693,505
Incremental Value	17,751,450	296,552,922	53,611,752	367,916,124
Tax Increment @ 1.0%	177,515	2,965,529	536,118	3,679,161
Estimated Unitary	1,476	677	105	2,258
GROSS TAX INCREMENT (3)	178,991	2,966,206	536,223	3,681,419
OFFSETS TO TAX INCREMENT				
Housing Set-Aside	35,798	593,241	107,245	736,284
Admin Charge	1,790	29,662	5,362	36,814
Senior Tax Sharing Payments	-	-	-	-
Other Obligations	-	-	-	-
TAX REVENUE	141,402	2,343,303	423,616	2,908,321
Memo: Subordinate Tax Sharing	12,682	593,241	107,245	713,168

- (1) Revenues generated by subareas E and F of the 2003 Amendment Area are not included in the above numbers because of restrictions as to the expenditure of those funds. See Fiscal Consultant Report.
(2) Actual 2006-07 values reported by the County of Riverside.
(3) Estimated revenue excludes revenues generated by any tax rates in excess of 1.0%.

Source: County of Riverside and DHA Consulting

Table 6.2
 Redevelopment Agency of the City of Riverside
 Hunter Park Redevelopment Project
 2006-07 Assessed Values and Revenues

Description	2006-07 Assessed Value	2002-03 Base Year Value	Incremental Value
ASSESSED VALUES (1)			
Secured			
Land	337,734,958	205,327,850	132,407,108
Improvements	720,420,960	423,973,039	296,447,921
Personal Property	7,529,823	7,864,078	(334,255)
Other Exemptions	(24,087,672)	(7,313,101)	(16,774,571)
Locally Assessed Secured	1,041,598,069	629,851,866	411,746,203
SBE Values	1,316,130	1,448,186	(132,056)
Secured Total	1,042,914,199	631,300,052	411,614,147
Unsecured			
Land	54,258	73,301	(19,043)
Improvements	61,924,128	42,308,080	19,616,048
Personal Property	79,959,448	75,457,406	4,502,042
Other Exemptions	(891,335)	(420,381)	(470,954)
Unsecured Total	141,046,499	117,418,406	23,628,093
TOTAL VALUE	1,183,960,698	748,718,458	435,242,240
Tax Increment @ 1.0%			4,352,422
Estimated Unitary			1,129
GROSS TAX INCREMENT (2)			4,353,551
OFFSETS TO TAX INCREMENT			
Housing Set-Aside			870,710
Administrative Charge			43,536
Senior Tax Sharing Payments			-
Other Obligations			-
TAX REVENUE			3,439,306
Memo: Subordinate Tax Sharing			870,710

(1) Actual 2006-07 values reported by the County of Riverside.

(2) Estimated revenue excludes revenues generated by any tax rates in excess of 1.0%.

Source: County of Riverside and DHA Consulting

Table 6.3
 Redevelopment Agency of the City of Riverside
 La Sierra/Arlanza Redevelopment Project Area
 2006-07 Assessed Values and Revenues

Description	2006-07 Assessed Value	2003-04 Base Year Value	Incremental Value
ASSESSED VALUES (1)			
Secured			
Land	993,384,158	679,723,791	313,660,367
Improvements	2,484,835,255	1,698,513,367	786,321,888
Personal Property	32,441,570	28,664,069	3,777,501
Other Exemptions	(275,231,287)	(262,347,961)	(12,883,326)
Locally Assessed Secured	3,235,429,696	2,144,553,266	1,090,876,430
SBE Values	686,997	735,848	(48,851)
Secured Total	3,236,116,693	2,145,289,114	1,090,827,579
Unsecured			
Land	4,371	718,234	(713,863)
Improvements	79,495,016	78,673,572	821,444
Personal Property	97,911,861	64,717,164	33,194,697
Other Exemptions	(22,034,229)	(4,976,601)	(17,057,628)
Unsecured Total	155,377,019	139,132,369	16,244,650
TOTAL VALUE	3,391,493,712	2,284,421,483	1,107,072,229
Tax Increment @ 1.0%			11,070,722
Estimated Unitary			-
GROSS TAX INCREMENT (2)	-		11,070,722
OFFSETS TO TAX INCREMENT			
Housing Set-Aside			2,214,164
Administrative Charge			110,708
Senior Tax Sharing Payments			-
Other Obligations			-
TAX REVENUE	-	-	8,745,850
Memo: Subordinate Tax Sharing			2,214,164

(1) Represents actual base year and current year assessed values, as reported by the County in 2006-07; and therefore does not include a reduction in assessed value for the 2006 amendment. (See Tables 7.3 and 8.3.2 for additional information.)

(2) Estimate excludes override taxes.

Source: County of Riverside and DHA Consulting

Table 6.4
 Redevelopment Agency of the City of Riverside
 Magnolia Center Redevelopment Project
 2006-07 Assessed Values and Revenues

Description	2006-07 Assessed Value	1997-98 Base Year Value	Incremental Value
ASSESSED VALUES (1)			
Secured			
Land	162,464,370	117,323,438	45,140,932
Improvements	300,175,857	156,392,473	143,783,384
Personal Property	4,466,289	2,296,732	2,169,557
Other Exemptions	(19,974,078)	(5,030,630)	(14,943,448)
Locally Assessed Secured	447,132,438	270,982,013	176,150,425
SBE Values	470,616	496,465	(25,849)
Secured Total	447,603,054	271,478,478	176,124,576
Unsecured			
Land	1,210	549,909	(548,699)
Improvements	28,940,662	19,047,137	9,893,525
Personal Property	38,775,693	20,654,479	18,121,214
Other Exemptions	(98,241)	(293,311)	195,070
Unsecured Total	67,619,324	39,958,214	27,661,110
TOTAL VALUE	515,222,378	311,436,692	203,785,686
Tax Increment @ 1.0%	515,222,378		2,037,857
Estimated Unitary			884
GROSS TAX INCREMENT (2)	515,222,378		2,038,741
OFFSETS TO TAX INCREMENT			
Housing Set-Aside			407,748
Administrative Charge			20,387
Senior Tax Sharing Payments			-
Other Obligations			-
TAX REVENUE		-	1,610,605
Memo: Subordinate Tax Sharing			407,748

(1) Actual 2006-07 values reported by the County of Riverside.

(2) Estimated revenue excludes revenues generated by any tax rates in excess of 1.0%.

Source: County of Riverside and DHA Consulting

Table 6.5
Redevelopment Agency of the City of Riverside
University Corridor/Sycamore Canyon Merged Project Area
2006-07 Assessed Values and Revenues

Description	University Corridor Sub Area			Sycamore Canyon Sub Area		Merged Total
	Original Area	1985 Annex	1998 Annex	Original Area	1998 Annex	
ASSESSED VALUES (1)						
Secured						
Land	37,486,707	77,718,324	5,848,179	80,964,911	5,773,004	207,791,125
Improvements	65,943,679	241,046,633	16,191,511	256,979,488	4,059,233	584,220,544
Personal Property	3,124,313	1,012,179	267,955	8,430,699	39,156	12,874,302
Other Exemptions	(1,580,645)	(2,610,833)	(8,108,954)	-	-	(12,300,432)
Locally Assessed Secured	104,974,054	317,166,303	14,198,691	346,375,098	9,871,393	792,585,539
SBE Values	-	-	-	2,984,513	-	2,984,513
Secured Total	104,974,054	317,166,303	14,198,691	349,359,611	9,871,393	795,570,052
Unsecured						
Land	9,907	4,214	-	-	-	14,121
Improvements	15,280,052	10,257,014	5,000	34,806,701	162,437	60,511,204
Personal Property	8,172,483	8,642,997	464,386	13,437,100	398,770	31,115,736
Other Exemptions	-	(14,700)	-	-	-	(14,700)
Unsecured Total	23,462,442	18,889,525	469,386	48,243,801	561,207	91,626,361
TOTAL VALUE	128,436,496	336,055,828	14,668,077	397,603,412	10,432,600	887,196,413
TAX REVENUE						
Total Value (from above)	128,436,496	336,055,828	14,668,077	397,603,412	10,432,600	887,196,413
Less: Base Year	15,303,446	70,600,901	8,026,498	7,673,718	5,755,196	107,359,759
Incremental Value	113,133,050	265,454,927	6,641,579	389,929,694	4,677,404	779,836,654
Tax Increment @ 1.0%	1,131,331	2,654,549	66,416	3,899,297	46,774	7,798,367
Estimated Unitary	12,979	7,005	41	8,916	21	28,962
GROSS TAX INCREMENT (2)	1,144,310	2,661,554	66,457	3,908,213	46,795	7,827,329
OFFSETS TO TAX INCREMENT						
Housing Set-Aside (3)						1,565,466
Admin Charge						78,273
Superior Tax Sharing Payments						2,363,185
Other Obligations						-
TAX REVENUE						3,820,405
Memo: Subordinate Tax Sharing						555,292

- (1) Actual 2006-07 values reported by the County of Riverside.
- (2) Estimated revenue excludes revenues generated by any tax rates in excess of 1.0%.
- (3) The Agency's housing set-aside revenues are pledged to repay a portion of the debt service on the 1999 Bonds. Approximately 29% of the 1999 debt service, or about \$308,000 will be paid from the Housing Fund in 2006-07.

Source: County of Riverside and DHA Consulting

Table 7.1
 Redevelopment Agency of the City of Riverside
 Arlington Redevelopment Project
 Tax Increment Projection - Actual Construction and Property Transfers

NO AUTO CENTER

Fiscal Year	Total Value	Less Base 368,693,505	Gross Tax Revenue	Housing Set Aside	County Admin Chg	Senior Pass Thrus	Tax Revenues	Subordinate Pass Thru Agreements	Subordinate Pass Thrus AB 1290
2006-07	736,609,629	367,916,124	3,681,419	736,284	36,814	-	2,908,321	-	713,168
2007-08	789,151,516	420,458,011	4,206,838	841,368	42,068	-	3,323,402	-	818,252
2008-09	811,724,878	443,031,373	4,432,572	886,514	44,326	-	3,501,732	-	863,399
2009-10	826,617,004	457,923,499	4,581,493	916,299	45,815	-	3,619,379	-	893,183
2010-11	841,981,721	473,288,216	4,735,140	947,028	47,351	-	3,740,761	-	944,913
2011-12	857,653,734	488,960,229	4,891,860	978,372	48,919	-	3,864,570	-	997,679
2012-13	873,639,186	504,945,681	5,051,715	1,010,343	50,517	-	3,990,855	-	1,051,499
2013-14	889,944,348	521,250,843	5,214,766	1,042,953	52,148	-	4,119,665	-	1,106,396
2014-15	906,575,612	537,882,107	5,381,079	1,076,216	53,811	-	4,251,052	-	1,167,600
2015-16	923,539,502	554,845,997	5,550,718	1,110,144	55,507	-	4,385,067	-	1,230,027
2016-17	940,842,670	572,149,165	5,723,750	1,144,750	57,237	-	4,521,762	-	1,293,702
2017-18	958,491,901	589,798,396	5,900,242	1,180,048	59,002	-	4,661,191	-	1,358,651
2018-19	976,494,117	607,800,612	6,080,264	1,216,053	60,803	-	4,803,409	-	1,424,900
2019-20	994,856,377	626,162,872	6,263,887	1,252,777	62,639	-	4,948,471	-	1,492,473
2020-21	1,013,585,883	644,892,378	6,451,182	1,290,236	64,512	-	5,096,434	-	1,561,397
2021-22	1,032,689,978	663,996,473	6,642,223	1,328,445	66,422	-	5,247,356	-	1,631,700
2022-23	1,052,176,155	683,482,650	6,837,085	1,367,417	68,371	-	5,401,297	-	1,703,410
2023-24	1,072,052,056	703,358,551	7,035,844	1,407,169	70,358	-	5,558,316	-	1,776,553
2024-25	1,092,325,475	723,631,970	7,238,578	1,447,716	72,386	-	5,718,476	-	1,851,159
2025-26	1,113,004,362	744,310,857	7,445,367	1,489,073	74,454	-	5,881,840	-	1,927,257
2026-27	1,134,096,827	765,403,322	7,656,291	1,531,258	76,563	-	6,048,470	-	2,004,878
2027-28	1,155,611,142	786,917,637	7,871,434	1,574,287	78,714	-	6,218,433	-	2,084,050
2028-29	1,177,555,742	808,862,237	8,090,880	1,618,176	80,909	-	6,391,795	-	2,164,806
2029-30	1,199,939,235	831,245,730	8,314,715	1,662,943	83,147	-	6,568,625	-	2,247,178
2030-31	1,222,770,397	854,076,892	8,543,027	1,708,605	85,430	-	6,748,991	-	2,352,900
2031-32	1,211,278,048	846,353,647	8,464,318	1,692,864	84,643	-	6,686,812	-	2,403,559
2032-33	1,234,375,063	869,450,662	8,695,289	1,739,058	86,953	-	6,869,278	-	2,510,394
2033-34	1,257,934,018	893,009,617	8,930,878	1,786,176	89,309	-	7,055,394	-	2,619,366
2034-35	1,281,964,152	917,039,751	9,171,180	1,834,236	91,712	-	7,245,232	-	2,734,951
2035-36	1,306,474,888	941,550,487	9,416,287	1,883,257	94,163	-	7,438,867	-	2,852,847
2036-37	1,331,475,840	966,551,439	9,666,296	1,933,259	96,663	-	7,636,374	-	2,973,102
2037-38	1,356,976,810	992,052,409	9,921,306	1,984,261	99,213	-	7,837,832	-	3,095,762
2038-39	1,382,987,800	1,018,063,399	10,181,416	2,036,283	101,814	-	8,043,319	-	3,220,875
2039-40	1,409,519,009	1,044,594,608	10,446,728	2,089,346	104,467	-	8,252,915	-	3,348,490
2040-41	1,436,580,843	1,071,656,442	10,717,346	2,143,469	107,173	-	8,466,704	-	3,478,657
2041-42	1,464,183,914	1,099,259,513	10,993,377	2,198,675	109,934	-	8,684,768	-	3,611,428
2042-43	1,492,339,046	1,127,414,645	11,274,928	2,254,986	112,749	-	8,907,193	-	3,746,854
2043-44	1,521,057,280	1,156,132,879	11,562,111	2,312,422	115,621	-	9,134,068	-	3,884,989
2044-45	1,550,349,880	1,185,425,479	11,855,037	2,371,007	118,550	-	9,365,479	-	4,025,886
2045-46	272,290,592	209,640,550	2,096,511	419,302	20,965	-	1,656,243	-	674,949
2046-47	277,266,490	214,616,448	2,146,269	429,254	21,463	-	1,695,553	-	698,883
2047-48	282,341,906	219,691,864	2,197,024	439,405	21,970	-	1,735,649	-	723,295
2047-48	287,518,831	224,868,789	2,248,793	449,759	22,488	-	1,776,546	-	748,196
2048-49	287,518,831	224,868,789	2,248,793	449,759	22,488	-	1,776,546	-	748,196
TOTAL	N/A	N/A	306,056,255	61,211,251	3,060,563	-	241,784,442	-	84,761,806

Assumptions:

- (1) Actual assessed values as reported by the County June 29, 2006, plus the assumption of trended growth of 2.0% per year, which is the maximum trended growth allowable under Article XIII A of the California Constitution.
- (2) Other assessed value changes include: 1) reductions for the estimated impact from outstanding assessment appeals; 2) increases for actual property transfers which have occurred from January 2, 2006 to August 31, 2006; and 3) increases resulting from development that is currently under construction or complete.
- (3) Revenues shown above have been adjusted to reflect the enactment of ordinances to extend the time period that the Agency can receive tax increment, as allowed by legislation requiring ERAF payments for 2004-05 through 2006-07.
- (4) Any amounts shown in the column entitled "Pass Thru Agreements" refer to payment obligations resulting from written tax sharing agreements.
- (5) The AB 1290 Pass Through payments represent legislatively required tax sharing payments.

Table 7.2
 Redevelopment Agency of the City of Riverside
 Hunter Park Redevelopment Project
 Tax Increment Projection - Actual Construction and Property Transfers

Fiscal Year	Total Value	Less Base 748,718,458	Gross Tax Revenue	Housing Set Aside	County Admin Chg	Senior Pass Thrus	Tax Revenues	Subordinate Pass Thru Agreements	Subordinate AB 1290 Pass Thrus
2006-07	1,183,960,698	435,242,240	4,353,551	870,710	43,536	-	3,439,306	-	870,710
2007-08	1,274,476,608	525,758,150	5,258,711	1,051,742	52,587	-	4,154,381	-	1,051,742
2008-09	1,331,625,276	582,906,818	5,830,197	1,166,039	58,302	-	4,605,856	-	1,166,039
2009-10	1,370,598,024	621,879,566	6,219,925	1,243,985	62,199	-	4,913,740	-	1,243,985
2010-11	1,395,937,626	647,219,168	6,473,321	1,294,664	64,733	-	5,113,923	-	1,294,664
2011-12	1,422,080,271	673,361,813	6,734,747	1,346,949	67,347	-	5,320,450	-	1,346,949
2012-13	1,448,745,768	700,027,310	7,001,402	1,400,280	70,014	-	5,531,108	-	1,400,280
2013-14	1,475,944,575	727,226,117	7,273,390	1,454,678	72,734	-	5,745,978	-	1,500,372
2014-15	1,503,687,359	754,968,901	7,550,818	1,510,164	75,508	-	5,965,146	-	1,602,465
2015-16	1,531,984,998	783,266,540	7,833,794	1,566,759	78,338	-	6,188,698	-	1,706,601
2016-17	1,560,848,590	812,130,132	8,122,430	1,624,486	81,224	-	6,416,720	-	1,812,819
2017-18	1,590,289,454	841,570,996	8,416,839	1,683,368	84,168	-	6,649,303	-	1,921,161
2018-19	1,620,319,135	871,600,677	8,717,136	1,743,427	87,171	-	6,886,537	-	2,031,670
2019-20	1,650,949,409	902,230,951	9,023,439	1,804,688	90,234	-	7,128,516	-	2,144,390
2020-21	1,682,192,290	933,473,832	9,335,867	1,867,173	93,359	-	7,375,335	-	2,259,364
2021-22	1,714,060,027	965,341,569	9,654,545	1,930,909	96,545	-	7,627,090	-	2,376,637
2022-23	1,746,565,120	997,846,662	9,979,596	1,995,919	99,796	-	7,883,881	-	2,496,256
2023-24	1,779,720,314	1,031,001,856	10,311,148	2,062,230	103,111	-	8,145,807	-	2,618,267
2024-25	1,813,538,613	1,064,820,155	10,649,331	2,129,866	106,493	-	8,412,971	-	2,742,718
2025-26	1,848,033,277	1,099,314,819	10,994,277	2,198,855	109,943	-	8,685,479	-	2,869,658
2026-27	1,883,217,834	1,134,499,376	11,346,123	2,269,225	113,461	-	8,963,437	-	2,999,138
2027-28	1,919,106,083	1,170,387,625	11,705,005	2,341,001	117,050	-	9,246,954	-	3,131,206
2028-29	1,955,712,097	1,206,993,639	12,071,065	2,414,213	120,711	-	9,536,142	-	3,265,917
2029-30	1,993,050,231	1,244,331,773	12,444,447	2,488,889	124,444	-	9,831,113	-	3,403,321
2030-31	2,031,135,127	1,282,416,669	12,825,296	2,565,059	128,253	-	10,131,984	-	3,543,473
2031-32	2,069,981,722	1,321,263,264	13,213,762	2,642,752	132,138	-	10,438,872	-	3,686,429
2032-33	2,109,605,248	1,360,886,790	13,609,997	2,721,999	136,100	-	10,751,898	-	3,832,243
2033-34	2,150,021,245	1,401,302,787	14,014,157	2,802,831	140,142	-	11,071,184	-	4,026,644
2034-35	2,191,245,562	1,442,527,104	14,426,400	2,885,280	144,264	-	11,396,856	-	4,224,933
2035-36	2,233,294,365	1,484,575,907	14,846,888	2,969,378	148,469	-	11,729,042	-	4,427,188
2036-37	2,276,184,144	1,527,465,686	15,275,786	3,055,157	152,758	-	12,067,871	-	4,633,488
2037-38	2,319,931,719	1,571,213,261	15,713,262	3,142,652	157,133	-	12,413,477	-	4,843,914
2038-39	2,364,554,246	1,615,835,788	16,159,487	3,231,897	161,595	-	12,765,995	-	5,058,548
2039-40	2,410,069,223	1,661,350,765	16,614,637	3,322,927	166,146	-	13,125,563	-	5,277,475
2040-41	2,456,494,499	1,707,776,041	17,078,889	3,415,778	170,789	-	13,492,323	-	5,500,781
2041-42	2,503,848,281	1,755,129,823	17,552,427	3,510,485	175,524	-	13,866,418	-	5,728,552
2042-43	2,552,149,139	1,803,430,681	18,035,436	3,607,087	180,354	-	14,247,994	-	5,960,879
2043-44	2,601,416,013	1,852,697,555	18,528,105	3,705,621	185,281	-	14,637,203	-	6,197,853
2044-45	2,651,668,226	1,902,949,768	19,030,627	3,806,125	190,306	-	15,034,195	-	6,439,566
2045-46	2,702,925,482	1,954,207,024	19,543,199	3,908,640	195,432	-	15,439,127	-	6,686,114
2046-47	2,755,207,884	2,006,489,426	20,066,023	4,013,205	200,660	-	15,852,158	-	6,937,592
2047-48	2,808,535,933	2,059,817,475	20,599,304	4,119,861	205,993	-	16,273,450	-	7,194,100
2048-49	2,862,930,544	2,114,212,086	21,143,250	4,228,650	211,432	-	16,703,167	-	7,455,738
TOTAL	N/A	N/A	525,578,033	105,115,607	5,255,780	-	415,206,646	-	150,911,840

Assumptions:

- (1) Actual assessed values as reported by the County June 29, 2006, plus the assumption of trended growth of 2.0% per year, which is the maximum trended growth allowable under Article XIII A of the California Constitution.
- (2) Other assessed value changes include: 1) reductions for the estimated impact from outstanding assessment appeals; 2) increases for property transfers which have occurred from January 2, 2006 to August 31, 2006; and 3) increases resulting from development that is currently under construction or complete.
- (3) Revenues shown above have been adjusted to reflect the enactment of ordinances to extend the time period that the Agency can receive tax increment, as allowed by legislation requiring ERAF payments for 2004-05 through 2006-07.
- (4) Any amounts shown in the column entitled "Pass Thru Agreements" refer to payment obligations resulting from written tax sharing agreements.
- (5) The AB 1290 Pass Through payments represent legislatively required tax sharing payments.

Table 7.3
 Redevelopment Agency of the City of Riverside
 La Sierra/Arlanza Redevelopment Project
 Tax Increment Projection - Actual Construction and Property Transfers

Fiscal Year	Total Value	Less Base 2,235,404,374	Gross Tax Revenue	Housing Set Aside	County Admin Chg	Senior Pass Thru Agreements	Tax Revenues	Subordinate Written Pass Thrus	Subordinate AB 1290 Pass Thrus
2006-07	3,391,493,712	1,107,072,229	11,070,820	2,214,164	110,708	-	8,745,948	-	2,214,164
2007-08	3,512,014,312	1,276,609,938	12,766,197	2,553,239	127,662	-	10,085,296	-	2,553,239
2008-09	3,612,152,559	1,376,748,185	13,767,580	2,753,516	137,676	-	10,876,388	-	2,753,516
2009-10	3,681,102,302	1,445,697,928	14,457,077	2,891,415	144,571	-	11,421,091	-	2,891,415
2010-11	3,752,103,539	1,516,699,165	15,167,090	3,033,418	151,671	-	11,982,001	-	3,033,418
2011-12	3,824,524,801	1,589,120,427	15,891,302	3,178,260	158,913	-	12,554,129	-	3,178,260
2012-13	3,898,394,489	1,662,990,115	16,629,999	3,326,000	166,300	-	13,137,699	-	3,326,000
2013-14	3,973,741,570	1,738,337,196	17,383,470	3,476,694	173,835	-	13,732,941	-	3,603,277
2014-15	4,050,595,593	1,815,191,219	18,152,010	3,630,402	181,520	-	14,340,088	-	3,886,100
2015-16	4,128,986,696	1,893,582,322	18,935,921	3,787,184	189,359	-	14,959,378	-	4,174,579
2016-17	4,208,945,622	1,973,541,248	19,735,510	3,947,102	197,355	-	15,591,053	-	4,468,828
2017-18	4,290,503,726	2,055,099,352	20,551,092	4,110,218	205,511	-	16,235,362	-	4,768,962
2018-19	4,373,692,992	2,138,288,618	21,382,984	4,276,597	213,830	-	16,892,557	-	5,075,098
2019-20	4,458,546,043	2,223,141,669	22,231,515	4,446,303	222,315	-	17,562,897	-	5,387,358
2020-21	4,545,096,155	2,309,691,781	23,097,016	4,619,403	230,970	-	18,246,642	-	5,705,862
2021-22	4,633,377,270	2,397,972,896	23,979,827	4,795,965	239,798	-	18,944,063	-	6,030,736
2022-23	4,723,424,006	2,488,019,632	24,880,294	4,976,059	248,803	-	19,655,433	-	6,362,108
2023-24	4,815,271,678	2,579,867,304	25,798,771	5,159,754	257,988	-	20,381,029	-	6,700,108
2024-25	4,908,956,303	2,673,551,929	26,735,617	5,347,123	267,356	-	21,121,138	-	7,044,867
2025-26	5,004,514,621	2,769,110,247	27,691,200	5,538,240	276,912	-	21,876,048	-	7,396,522
2026-27	5,101,984,104	2,866,579,730	28,665,895	5,733,179	286,659	-	22,646,057	-	7,755,210
2027-28	5,201,402,978	2,965,998,604	29,660,084	5,932,017	296,601	-	23,431,466	-	8,121,071
2028-29	5,302,810,229	3,067,405,855	30,674,157	6,134,831	306,742	-	24,232,584	-	8,494,250
2029-30	5,406,245,625	3,170,841,251	31,708,511	6,341,702	317,085	-	25,049,723	-	8,874,892
2030-31	5,511,749,729	3,276,345,355	32,763,552	6,552,710	327,636	-	25,883,206	-	9,263,147
2031-32	5,619,363,915	3,383,959,541	33,839,693	6,767,939	338,397	-	26,733,358	-	9,659,167
2032-33	5,729,130,385	3,493,726,011	34,937,358	6,987,472	349,374	-	27,600,513	-	10,063,108
2033-34	5,841,092,184	3,605,687,810	36,056,976	7,211,395	360,570	-	28,485,011	-	10,601,644
2034-35	5,955,293,219	3,719,888,845	37,198,986	7,439,797	371,990	-	29,387,199	-	11,150,951
2035-36	6,071,778,275	3,836,373,901	38,363,837	7,672,767	383,638	-	30,307,431	-	11,711,244
2036-37	6,190,593,032	3,955,188,658	39,551,985	7,910,397	395,520	-	31,246,068	-	12,282,743
2037-38	6,311,784,084	4,076,379,710	40,763,895	8,152,779	407,639	-	32,203,477	-	12,865,672
2038-39	6,435,398,957	4,199,994,583	42,000,044	8,400,009	420,000	-	33,180,035	-	13,460,260
2039-40	6,561,486,127	4,326,081,753	43,260,916	8,652,183	432,609	-	34,176,123	-	14,066,739
2040-41	6,690,095,041	4,454,690,667	44,547,005	8,909,401	445,470	-	35,192,134	-	14,685,348
2041-42	6,821,276,134	4,585,871,760	45,858,816	9,171,763	458,588	-	36,228,464	-	15,316,329
2042-43	6,955,080,848	4,719,676,474	47,196,863	9,439,373	471,969	-	37,285,522	-	15,959,930
2043-44	7,091,561,656	4,856,157,282	48,561,671	9,712,334	485,617	-	38,363,720	-	16,616,402
2044-45	7,230,772,081	4,995,367,707	49,953,775	9,990,755	499,538	-	39,463,482	-	17,286,004
2045-46	7,372,766,714	5,137,362,340	51,373,721	10,274,744	513,737	-	40,585,240	-	17,968,999
2046-47	7,517,601,239	5,282,196,865	52,822,067	10,564,413	528,221	-	41,729,433	-	18,665,653
2047-48	7,665,332,456	5,429,928,082	54,299,379	10,859,876	542,994	-	42,896,509	-	19,376,240
2048-49	7,816,018,296	5,580,613,922	55,806,237	11,161,247	558,062	-	44,086,927	-	20,101,039
TOTAL	N/A	N/A	1,340,170,715	268,034,143	13,401,707	-	1,058,734,865	-	394,900,461

Assumptions:

- (1) Actual assessed values as reported by the County June 29, 2006, plus the assumption of trended growth of 2.0% per year, which is the maximum trended growth allowable under Article XIII A of the California Constitution.
- (2) Both the Total Value and the Base Year Value have been reduced in 2007-08 to reflect the estimated impact from the 2006 amendment to the Project Area which deleted territory. Table 8.3.2 details the estimated value for the deleted territory.
- (3) Other assessed value changes include: 1) reductions for the estimated impact from outstanding assessment appeals; 2) increases for actual property transfers which have occurred from January 2, 2006 to August 31, 2006; and 3) increases resulting from development that is currently under construction or complete.
- (4) Revenues shown above have not been adjusted to reflect the enactment of ordinances to extend the time period that the Agency can receive tax increment (per legislation requiring ERAF payments for 2004-05 through 2006-07) because the Project Area is too new to qualify.
- (5) Any amounts shown in the column entitled "Pass Thru Agreements" refer to payment obligations resulting from written tax sharing agreements.
- (6) The AB 1290 Pass Through payments represent legislatively required tax sharing payments.

Table 7.4
Redevelopment Agency of the City of Riverside
Magnolia Center Redevelopment Project
Tax Increment Projection - Actual Construction and Property Transfers

Fiscal Year	Total Value	Less Base 311,436,692	Gross Tax Revenue	Housing Set Aside	County Admin Chg	Senior Pass Thrus	Tax Revenues	Subordinate Pass Thru Agreements	Subordinate AB 1290 Pass Thrus
2006-07	515,222,378	203,785,686	2,038,741	407,748	20,387	-	1,610,605	-	407,748
2007-08	528,891,188	217,454,496	2,175,429	435,086	21,754	-	1,718,589	-	435,086
2008-09	544,029,988	232,593,296	2,326,817	465,363	23,268	-	1,838,185	-	465,363
2009-10	553,925,935	242,489,243	2,425,776	485,155	24,258	-	1,916,363	-	501,780
2010-11	564,130,202	252,693,510	2,527,819	505,564	25,278	-	1,996,977	-	539,332
2011-12	574,538,554	263,101,862	2,631,903	526,381	26,319	-	2,079,203	-	577,635
2012-13	585,155,073	273,718,381	2,738,068	547,614	27,381	-	2,163,074	-	616,704
2013-14	595,983,923	284,547,231	2,846,356	569,271	28,464	-	2,248,621	-	656,554
2014-15	607,029,349	295,592,657	2,956,811	591,362	29,568	-	2,335,880	-	697,201
2015-16	618,295,684	306,858,992	3,069,474	613,895	30,695	-	2,424,884	-	738,661
2016-17	629,787,346	318,350,654	3,184,391	636,878	31,844	-	2,515,669	-	780,950
2017-18	641,508,841	330,072,149	3,301,605	660,321	33,016	-	2,608,268	-	824,086
2018-19	653,464,766	342,028,074	3,421,165	684,233	34,212	-	2,702,720	-	868,083
2019-20	665,659,809	354,223,117	3,543,115	708,623	35,431	-	2,799,061	-	912,961
2020-21	678,098,754	366,662,062	3,667,505	733,501	36,675	-	2,897,329	-	958,736
2021-22	690,786,477	379,349,785	3,794,382	758,876	37,944	-	2,997,562	-	1,005,427
2022-23	703,727,954	392,291,262	3,923,797	784,759	39,238	-	3,099,799	-	1,053,052
2023-24	716,928,261	405,491,569	4,055,800	811,160	40,558	-	3,204,082	-	1,101,629
2024-25	730,392,575	418,955,883	4,190,443	838,089	41,904	-	3,310,450	-	1,151,178
2025-26	744,126,174	432,689,482	4,327,779	865,556	43,278	-	3,418,945	-	1,201,717
2026-27	758,134,446	446,697,754	4,467,862	893,572	44,679	-	3,529,611	-	1,253,268
2027-28	772,422,883	460,986,191	4,610,746	922,149	46,107	-	3,642,489	-	1,305,849
2028-29	786,997,088	475,560,396	4,756,488	951,298	47,565	-	3,757,625	-	1,359,482
2029-30	801,862,778	490,426,086	4,905,145	981,029	49,051	-	3,875,064	-	1,430,986
2030-31	817,025,782	505,589,090	5,056,775	1,011,355	50,568	-	3,994,852	-	1,503,920
2031-32	832,492,045	521,055,353	5,211,438	1,042,288	52,114	-	4,117,036	-	1,578,313
2032-33	848,267,634	536,830,942	5,369,193	1,073,839	53,692	-	4,241,663	-	1,654,194
2033-34	864,358,735	552,922,043	5,530,104	1,106,021	55,301	-	4,368,783	-	1,731,592
2034-35	880,771,658	569,334,966	5,694,234	1,138,847	56,942	-	4,498,445	-	1,810,538
2035-36	897,512,839	586,076,147	5,861,645	1,172,329	58,616	-	4,630,700	-	1,891,063
2036-37	914,588,844	603,152,152	6,032,406	1,206,481	60,324	-	4,765,600	-	1,973,199
2037-38	932,006,369	620,569,677	6,206,581	1,241,316	62,066	-	4,903,199	-	2,056,977
2038-39	949,772,244	638,335,552	6,384,240	1,276,848	63,842	-	5,043,549	-	2,142,431
2039-40	967,893,437	656,456,745	6,565,451	1,313,090	65,655	-	5,186,707	-	2,229,594
2040-41	986,377,054	674,940,362	6,750,288	1,350,058	67,503	-	5,332,727	-	2,318,500
2041-42	1,005,230,343	693,793,651	6,938,821	1,387,764	69,388	-	5,481,668	-	2,409,184
2042-43	1,024,460,698	713,024,006	7,131,124	1,426,225	71,311	-	5,633,588	-	2,501,682
2043-44	1,044,075,660	732,638,968	7,327,274	1,465,455	73,273	-	5,788,546	-	2,596,030
2044-45	-	-	-	-	-	-	-	-	-
2045-46	-	-	-	-	-	-	-	-	-
2046-47	-	-	-	-	-	-	-	-	-
2047-48	-	-	-	-	-	-	-	-	-
2048-49	-	-	-	-	-	-	-	-	-
TOTAL	N/A	N/A	167,946,987	33,589,397	1,679,470	-	132,678,120	-	49,240,688

Assumptions:

- (1) Actual assessed values as reported by the County June 29, 2006, plus the assumption of trended growth of 2.0% per year, which is the maximum trended growth allowable under Article XIII A of the California Constitution.
- (2) Other assessed value changes include: 1) reductions for the estimated impact from outstanding assessment appeals; 2) increases for actual property transfers which have occurred from January 2, 2006 to August 31, 2006; and 3) increases resulting from development that is currently under construction or complete.
- (3) Revenues shown above have been adjusted to reflect the enactment of ordinances to extend the time period that the Agency can receive tax increment, as allowed by legislation requiring ERAF payments for 2004-05 through 2006-07.
- (4) Any amounts shown in the column entitled "Pass Thru Agreements" refer to payment obligations resulting from written tax sharing agreements.
- (5) The AB 1290 Pass Through payments represent legislatively required tax sharing payments.

Table 7.5
Redevelopment Agency of the City of Riverside
University Corridor/Sycamore Canyon Merged Project
Tax Increment Projection - Actual Construction and Property Transfers

Fiscal Year	Total Value	Less Base 107,359,759	Gross Tax Revenue	Housing Set-Aside	Co. Admin Charge	Senior Pass Thrus	Tax Revenues	Subordinate Pass Thru Agreements	Subordinate AB 1290 Pass Thrus
2006-07	887,196,413	779,836,654	7,827,329	1,565,466	78,273	2,363,185	3,820,405	256,511	298,781
2007-08	1,045,361,411	938,001,652	9,408,979	1,881,796	94,090	2,854,566	4,578,527	278,306	475,760
2008-09	1,095,660,437	988,300,678	9,911,969	1,982,394	99,120	3,010,200	4,820,256	284,741	533,838
2009-10	1,115,970,985	1,008,611,226	10,115,074	2,023,015	101,151	3,070,920	4,919,989	291,277	552,345
2010-11	1,137,350,913	1,029,991,154	10,328,874	2,065,775	103,289	3,141,811	5,017,999	297,951	572,085
2011-12	1,159,158,441	1,051,798,682	10,546,949	2,109,390	105,469	3,207,254	5,124,835	304,758	592,220
2012-13	1,181,402,118	1,074,042,359	10,769,386	2,153,877	107,694	3,274,007	5,233,808	311,701	612,758
2013-14	1,204,090,670	1,096,730,911	10,996,271	2,199,254	109,963	3,342,094	5,344,960	318,784	633,706
2014-15	1,227,232,992	1,119,873,233	11,227,694	2,245,539	112,277	3,411,543	5,458,335	326,007	671,291
2015-16	1,250,838,161	1,143,478,402	11,463,746	2,292,749	114,637	3,491,822	5,564,538	333,376	704,370
2016-17	1,274,915,433	1,167,555,674	11,704,519	2,340,904	117,045	3,564,260	5,682,310	340,891	743,473
2017-18	1,299,474,251	1,192,114,492	11,950,107	2,390,021	119,501	3,638,147	5,802,437	348,557	783,358
2018-19	1,324,524,245	1,217,164,486	12,200,607	2,440,121	122,006	3,713,512	5,924,967	356,377	824,040
2019-20	1,350,075,239	1,242,715,480	12,456,117	2,491,223	124,561	3,790,384	6,049,948	364,352	865,536
2020-21	1,376,137,252	1,268,777,493	12,716,737	2,543,347	127,167	3,976,903	6,069,319	372,488	907,862
2021-22	1,402,720,506	1,295,360,747	12,982,569	2,596,514	129,826	4,058,987	6,197,243	380,785	951,035
2022-23	1,429,835,425	1,322,475,666	13,253,719	2,650,744	132,537	4,142,713	6,327,725	389,249	995,070
2023-24	1,457,492,643	1,350,132,884	13,530,291	2,706,058	135,303	4,228,113	6,460,817	397,882	1,039,987
2024-25	1,485,703,005	1,378,343,246	13,812,394	2,762,479	138,124	4,315,221	6,596,570	406,688	1,085,802
2025-26	1,514,477,574	1,407,117,815	14,100,140	2,820,028	141,001	4,404,072	6,735,039	415,670	1,132,533
2026-27	1,543,827,634	1,436,467,875	14,393,641	2,878,728	143,936	4,494,699	6,876,277	424,832	1,180,199
2027-28	1,573,764,696	1,463,270,981	14,692,470	2,938,494	146,925	4,586,982	7,020,069	426,730	1,228,780
2028-29	1,604,300,499	1,490,610,149	14,997,275	2,999,455	149,973	4,681,110	7,166,737	436,128	1,279,167
2029-30	1,635,447,018	1,518,496,100	15,308,177	3,061,635	153,082	4,777,121	7,316,338	445,714	1,330,563
2030-31	1,666,749,981	1,374,693,668	13,762,920	2,752,584	137,629	4,334,374	6,538,333	337,488	1,329,082
2031-32	1,495,371,426	1,403,315,113	14,049,134	2,809,827	140,491	4,423,450	6,675,366	345,049	1,379,900
2032-33	1,524,565,299	1,432,508,986	14,341,073	2,868,215	143,411	4,514,308	6,815,140	352,761	1,431,735
2033-34	1,554,343,050	1,462,286,737	14,638,850	2,927,770	146,389	4,606,983	6,957,709	360,628	1,493,100
2034-35	1,584,716,356	1,492,660,043	14,942,583	2,988,517	149,426	4,701,511	7,103,130	368,652	1,562,359
2035-36	1,615,697,128	1,523,640,815	15,252,391	3,050,478	152,524	4,797,930	7,251,459	376,837	1,633,003
2036-37	1,647,297,515	1,555,241,202	10,801,352	2,160,270	108,014	3,301,865	5,231,203	385,185	982,510
2037-38	46,223,054	32,441,360	324,476	64,895	3,245	-	256,336	-	102,673
2038-39	47,124,109	33,342,415	333,486	66,697	3,335	-	263,454	-	107,007
2039-40	48,043,186	34,261,492	342,677	68,535	3,427	-	270,715	-	111,427
2040-41	48,980,645	35,198,951	352,052	70,410	3,521	-	278,121	-	115,937
2041-42	49,936,852	36,155,158	361,614	72,323	3,616	-	285,675	-	120,536
2042-43	50,912,184	37,130,490	371,367	74,273	3,714	-	293,380	-	125,227
2043-44	-	-	-	-	-	-	-	-	-
2044-45	-	-	-	-	-	-	-	-	-
2045-46	-	-	-	-	-	-	-	-	-
2046-47	-	-	-	-	-	-	-	-	-
2047-48	-	-	-	-	-	-	-	-	-
2048-49	-	-	-	-	-	-	-	-	-
TOTAL	N/A	N/A	390,569,005	78,113,801	3,905,690	120,220,047	188,329,467	11,036,356	30,489,059

Assumptions:

- (1) Actual assessed values as reported by the County June 29, 2006, plus the assumption of trended growth of 2.0% per year, which is the maximum trended growth allowable under Article XIII A of the California Constitution.
- (2) Other assessed value changes include: 1) reductions for the estimated impact from outstanding assessment appeals; 2) increases for actual property transfers which have occurred from January 2, 2006 to August 31, 2006; and 3) increases resulting from development that is currently under construction or complete.
- (3) Revenues shown above have been adjusted to reflect the enactment of ordinances to extend the time period that the Agency can receive tax increment, as allowed by legislation requiring ERAF payments for 2004-05 through 2006-07.
- (4) Any amounts shown in the column entitled "Pass Thru Agreements" refer to payment obligations resulting from written tax sharing agreements.
- (5) The AB 1290 Pass Through payments represent legislatively required tax sharing payments.
- (6) Assumes that the original Sycamore Canyon subarea receives 50% of the tax increment revenue for the 2036-37 fiscal year; its deadline for the receipt of tax increment fall in the middle of the year, December 20, 2036.
- (7) The Agency's housing set-aside revenues are pledged to repay a portion of the debt service on the 1999 Bonds. Approximately 20% of the 1999 debt service, or about \$308,000 in 2006-07, is paid from the Housing Fund.

Table 8.1
Redevelopment Agency of the City of Riverside
Arlington Redevelopment Project
New Development and Property Transfers

Description	Sq. Ft/Units	(1) (2) Net Added	Start	Complete	2007-08	2008-09	2009-10
ORIGINAL AREA							
Property Transfers	N/A	459,761	Jan-06	Aug-06	459,761	-	-
TOTAL ORIGINAL AREA	-	459,761	-	N/A	459,761	-	-
2000 AMENDMENT AREA							
Garden Gate Single Family Homes (MBK)	62	16,650,000		Dec-06	12,487,500	4,162,500	-
Indiana/Van Buren Single Family Homes (MBK)	16	2,900,000		Dec-06	2,900,000	-	-
Property Transfers	N/A	10,078,594	Jan-06	Aug-06	10,078,594	-	-
TOTAL 2000 AMENDMENT AREA	-	29,628,594		N/A	25,466,094	4,162,500	-
2003 AMENDMENT AREA							
Monroe/Indiana Single Family Homes (DR Horton)	111	22,875,000		Dec-06	18,300,000	4,575,000	-
Property Transfers	N/A	839,223	Jan-06	Aug-06	839,223	-	-
TOTAL 2003 AMENDMENT AREA	-	23,714,223		N/A	19,139,223	4,575,000	-
TOTAL ARLINGTON	N/A	53,802,578	N/A	N/A	45,065,078	8,737,500	-

(1) Represents estimated value to be added to the tax roll in future fiscal years (i.e., in excess of existing value) and does not necessarily represent the total value for the development.

(2) Includes only actual property transfers and construction that is completed or underway.

Table 8.2
Redevelopment Agency of the City of Riverside
Hunter Park Redevelopment Project
New Development and Property Transfers

Description	Sq. Ft/Units	(1) (2) Net Added	Start	Complete	2007-08	2008-09	2009-10
The Grove (R & D)							
Phase I	50,000	1,000,000	May-05	May-06	1,000,000	-	-
Phase II	50,000	2,500,000	Jul-06	May-07	1,250,000	1,250,000	-
Phase III	50,000	2,500,000	Jul-06	Jul-07	-	1,000,000	1,500,000
Hunter Park Tower (Office)							
Phase II	77,000	13,200,000	Jul-06	Jul-07	5,280,000	7,920,000	-
Columbia Business Ctr (Industrial)							
Building J / 740 Palmyrita	240,000	12,000,000	Nov-05	Aug-06	8,400,000	3,600,000	-
Building K / 710 Palmyrita	120,000	6,000,000	Nov-05	Aug-06	4,200,000	1,800,000	-
J & J Roofing							
Office/Warehouse / 2011 Spruce St.	-	440,000	Jul-05	Oct-06	440,000	-	-
Chicago Gateway							
Buildings A to H	-	6,000,000	Jun-05	Apr-06	6,000,000	-	-
Property Transfers	-	16,100,000	Jan-06	Aug-06	16,100,000	-	-
KB Home - Rivera							
Unsold Homes (3)	71	10,650,000	Mar-05	Oct-05	6,390,000	4,260,000	-
Fidelity Homes							
Unsold Homes (3)	35	9,750,000	Jan-06	Mar-07	2,925,000	3,412,500	3,412,500
Young Homes/Chicago/Marlborough (3)							
Unsold Homes (3)	110	33,000,000		Apr-06	13,200,000	9,900,000	9,900,000
R & D Park on Alamo							
All Phases	152,000	6,660,000		Feb-07	4,995,000	1,665,000	-
TOTAL HUNTER PARK	N/A	119,800,000	N/A	N/A	70,180,000	34,807,500	14,812,500

(1) Represents estimated value to be added to the tax roll in future fiscal years (i.e., in excess of existing value) and does not necessarily represent the total value for the development.

(2) Includes only actual property transfers and construction that is completed or underway.

(3) Includes homes that are completed or under construction, but were still owned by the developer as of January 2006.

Table 8.3.1
Redevelopment Agency of the City of Riverside
La Sierra/Arlanza Redevelopment Project
New Development and Property Transfers

Description	Sq. Ft/Units	(1) (2) Net Added	Start	Complete	2007-08	2008-09	2009-10
River Oaks Under Construction - Residential Homes	193	46,300,000	Oct-06	Oct-07	23,150,000	23,150,000	-
Ralph's Shopping Center Grocery Store / Retail	82,000	10,250,000	Mar-06	Mar-06	5,125,000	5,125,000	-
Carl's Jr. Restaurant	1,500	375,000	Jun-06	Dec-06	375,000	-	-
	-	-			-	-	-
MBK Homes 30 Single Family PRD	30	10,700,000	Jan-06	Dec-06	5,350,000	5,350,000	-
	-	-			-	-	-
Property Transfers	N/A	90,100,000	Jan-06	Aug-06	90,100,000	-	-
TOTAL LA SIERRA	N/A	157,725,000	N/A	N/A	124,100,000	33,625,000	-

- (1) Represents estimated value to be added to the tax roll in future fiscal years (i.e., in excess of existing value and does not necessarily represent the total value for the development.
(2) Includes only actual property transfers and construction that is completed or underway.

Table 8.3.2
Redevelopment Agency of the City of Riverside
La Sierra/Arlanza Redevelopment Project
2006 Amendment - Value of Area to be Deleted (1)

Description	2006-07 (2)	2006 Deletion	After 2006 Deletion
<u>2006-07 Assessed Values</u>			
SECURED			
Land	993,384,158	(16,287,922)	977,096,236
Improvements	2,484,835,255	(47,290,195)	2,437,545,060
Personal Property	32,441,570	-	32,441,570
Exemptions	(275,231,287)	-	(275,231,287)
TOTAL SECURED	3,235,429,696	(63,578,117)	3,171,851,579
TOTAL SBE	686,997	-	686,997
UNSECURED			
Land	4,371	(78)	4,293
Improvements	79,495,016	(124,303)	79,370,713
Personal Property	97,911,861	(124,381)	97,787,480
Exemptions	(22,034,229)	-	(22,034,229)
TOTAL UNSECURED	155,377,019	(248,762)	155,128,257
GRAND TOTAL	3,391,493,712	(63,826,879)	3,327,666,833
BASE YEAR (2)	2,284,421,483	(49,017,109)	2,235,404,374

- (1) The Project Area was amended for the second time in 2006 to delete territory, which amendment will not affect tax increment revenues until fiscal year 2007-08.
- (2) The 2006-07 Base Year is as reported by the County pursuant to Section 33328 of the Redevelopment Law.

Table 8.4
 Redevelopment Agency of the City of Riverside
 Magnolia Center Redevelopment Project
 New Development and Property Transfers

Description	Sq. Ft/Units	(1) (2) Net Added	Start	Complete	2007-08	2008-09	2009-10
Completed or Under Construction							
Riverside Plaza							
Retail	40,000	3,400,000	Jan-06	Mar-07	-	3,400,000	-
Riverside Medical Clinic							
Medical Office Building	130,000	5,300,000	Jun-05	Jun-07	3,180,000	2,120,000	-
Property Transfers	N/A	5,300,000	Jan-06	Aug-06	5,300,000	-	-
TOTAL MAGNOLIA CENTER		14,000,000	N/A	N/A	8,480,000	5,520,000	-

- (1) Represents estimated value to be added to the tax roll in future fiscal years (i.e., in excess of existing value and does not necessarily represent the total value for the development.
 (2) Includes only actual property transfers and construction that is completed or underway.

Table 8.5
 Redevelopment Agency of the City of Riverside
 University Corridor/Sycamore Canyon Merged Project
 New Development and Property Transfers

Description	Sq. Ft/Units	Net Added (1) (2)	Start	Complete	2007-08	2008-09	2009-10
UNIVERSITY CORRIDOR (CENTRAL)/ORIGINAL							
University and Eucalyptus/Commercial	6,684	500,000	Jul-06	May-07		500,000	
UNIVERSITY CORRIDOR (CENTRAL)/ 1984 ANNEX							
University Village - Retail F/G	19,000	2,850,000	Dec-06	Dec-07	2,850,000		
Town Square Retail Renovation	40,000	2,100,000	Dec-04	Sep-06	2,100,000		
Property Transfers	N/A	19,836,728	Jan-06	Aug-06	19,836,728		
UNIVERSITY CORRIDOR (CENTRAL)/ 1984 ANNEX							
Property Transfers	N/A	472,580	Jan-06	Aug-06	472,580		
TOTAL UNIVERSITY CORRIDOR (CENTRAL)	N/A	25,759,308	N/A	N/A	25,259,308	500,000	-

- (1) Represents estimated value to be added to the tax roll in future fiscal years (i.e., in excess of existing value and does not necessarily represent the total value for the development.
 (2) Includes only actual property transfers and construction that is completed or underway.

Table 8.5
Redevelopment Agency of the City of Riverside
University Corridor/Sycamore Canyon Merged Project
New Development and Property Transfers

Description	Sq. Ft/Units	Net Added (1) (2)	Start	Complete	2007-08	2008-09	2009-10
SYCAMORE CANYON/ORIGINAL							
Panattoni - N/W Corner Sycamore Canyon/Sierra Ridge Dr.							
Phase 1	459,268	25,260,000	N/A	Oct-06	20,208,000	5,052,000	
Phase 2	449,516	24,720,000	N/A	Oct-06	19,776,000	4,944,000	
Guthrie - N/E Corner of Alessandro & Sycamore Canyon Blvd.							
Completed Industrial/6 Buildings	172,594	6,850,000	N/A	Oct-06	5,480,000	1,370,000	
		-					
Magnon - Sierra Ridge and Eastridge							
Industrial Building Under Construction	449,040	24,700,000	N/A	Jun-07	12,350,000	12,350,000	
		-					
Investment Building Group (Box Springs, south of Eastridge)							
Completed Industrial - 3 Buildings	120,400	5,120,000	N/A	Dec-06	5,120,000		
		-					
Investment Building Group (Sycamore and Alessandro)							
Completed Industrial Building	268,250	14,200,000	N/A	Dec-06	14,200,000		
		-					
Magnon - Eastridge Business Center							
Completed Industrial - 3 Buildings	228,900	12,140,000	N/A	Dec-06	12,140,000		
		-					
Magnon - Sycamore Commerce Center							
Completed Industrial - 4 Buildings	421,340	23,170,000	N/A	Feb-07	17,377,500	5,792,500	
		-					
Crowder (Old 215 Frontage Road)							
Completed Industrial - 8 Buildings	24,000	300,000	N/A	Feb-07		300,000	
		-					
Sycamore Canyon Boulevard							
Completed Industrial Building	218,000	14,250,000	N/A	Feb-07	11,400,000	2,850,000	
		-					
Property Transfers	N/A	None Recorded	Jan-06	Aug-06			
SYCAMORE CANYON/1997 ANNEX							
No development identified							
TOTAL SYCAMORE	N/A	150,710,000	N/A	N/A	118,051,500	32,658,500	-

Table 9.1
Redevelopment Agency of the City of Riverside
University Corridor/Sycamore Canyon Merged Project Area
Tax Sharing Agreements Summary

Taxing Entity	Description of the Agreement	Applies to:	Basis	Approx Percentage Share	Portion Currently Paid	2006-07 Payment Amt / % (1)	Potential Future Increases	Lien on Tax Revenue
County General (2)	The County receives a portion of its share up to 100%. Since 2004-05, the Agency has been paying the County 100% of its share of gross tax increment.	All Pre-1994 Areas	1.0%/Receipts	28.8% UC 30.3 Syc	100.0%	29.3%	None	Senior
Flood Control (3)	The District receives a portion of its share up to 100%. Since 2002-03, the Agency has been paying the District 100% of its share of gross tax increment in University Corridor, but only about 35% in Sycamore Canyon.	All Pre-1994 Areas	Net 1.0% (4)	2.8% UC 3.3% Syc	100% UC Varies Syc	1.9%	> +/- 3.0%	Senior in Sycamore
County Super of Schools	The District receives 37.5% of its share of net taxes, but only in the 1985 Annex.	1985 Annex UC Only	1.0%/Receipts	3.0% UC N/A Syc	30.0%	0.3%	None	Senior
Riverside Unified Schools	The District received an annual flat fee amount; the last payment of which was due and paid in 2000	Where Applicable (5)	Net 1.0% (4)	43.0% UC 0.0% Syc	\$ -	0.0%	Last pmt made in 2000	N/A
Riverside City Comm College	The District receives 30% of its share of net tax increment revenues from the Project	Original & 1985 Annex UC Only	Net 1.0% (4)	5.2% UC N/A Syc	100.0%	2.0%	None	Subordinate with Certificate Notice
TOTAL Senior						31.5%	Slight (3)	Senior
TOTAL SUBORDINATE						2.0%	None	Subordinate
GRAND TOTAL						33.5%	Slight	Both

- (1) Amount shown equals the approximate percentage of gross tax increment from the entire Merged Project for the 2006-07 fiscal year.
(2) Share payable to the County increased to 100% when Agency retained \$4.0 million and \$4.2 million of the County's Share from University Corridor and Sycamore Canyon, respectively.
(3) The payment to the Flood Control District in Sycamore Canyon will increase over time from about 1.9% of gross tax increment to 2.8% in 2020-21.
(4) Net equals tax increment without unitary, less housing and less the administrative charge.
(5) Payments to RUSD are no longer due from either portion of the Merged Project.

APPENDIX B

GENERAL INFORMATION CONCERNING THE CITY OF RIVERSIDE

The following information concerning the City of Riverside and Riverside County is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General Description and Background

Incorporated in October 11, 1883, the City of Riverside is a charter city that now functions under a Council/Manager form of government. A five member City Council, including the Mayor, is elected at large. The City Manager is appointed by the City Council.

Riverside County, which encompasses 7,303 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, Riverside County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 24 incorporated cities in Riverside County.

Riverside County's varying topology includes desert, valley and mountain areas as well as gently rolling terrain. Three distinct geographical areas characterize Riverside County: the western valley area, the higher elevations of the mountains, and the deserts. The western valley, the San Jacinto mountains and the Cleveland National Forest experience the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions. Riverside County is the site for famous resorts, such as Palm Springs, as well as a leading area for inland water recreation. Nearly 20 lakes in Riverside County are open to the public. The dry summers and moderate to cool winters make it possible to enjoy these and other recreational and cultural facilities on a year-round basis.

City Investment Policy

The Agency's funds are invested by the City in accordance with the City's Investment Policy. See APPENDIX B for a summary of the City's investment portfolio as of December 31, 2006.

The City administers a pooled investment program, except for those funds which are managed separately by trustees appointed under bond indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. The most recently revised Investment Policy for the City was adopted in January, 2006 by the City Council.

In accordance with the Government Code, the City requires certain collateralization for public deposits in banks and savings and loans, and has long-established safekeeping and custody procedures. The City Treasurer submits a monthly report to the City Council that contains a statement that the City's portfolio is invested in conformance with state law and the Investment Policy, and that there is sufficient liquidity to meet estimated expenditures.

The City's pooled investment portfolio as of December 31, 2006, had a market value of \$337,690,321. The following table illustrates the investments as of December 31, 2006:

**CITY OF RIVERSIDE
INVESTMENT PORTFOLIO
(As of December 31, 2006)**

Type	Market Value	Cost Basis	% of Portfolio ^{(2), (3)}
Money Market Accounts ⁽¹⁾	\$20,530,564	\$20,530,564	6.1%
Bonds, Debentures and Notes	317,104,757	319,131,162	93.9
Cash	<u>55,000</u>	<u>55,000</u>	<u>0.0</u>
Total	\$337,690,321	\$339,716,726	100.0

(1) Includes \$5,200,000 in the State of California Local Agency Investment Fund.

(2) Based on market value as of December 31, 2006.

(3) Numbers do not add because of rounding.

Source: City of Riverside.

As of December 31, 2006, the weighted average maturity of the City's investment portfolio was 1.77 years.

Agency Pension Obligation

The Agency pays a portion of the City's personnel and pension costs based upon the time spent on Agency business by specific employees.

The City contributes to the California Public Employee's Retirement System ("CalPERS"), an agent multiple-employer public employee retirement system that acts as a common investment and, administrative agent for participating public entities within the State of California.

All permanent and temporary employees who work more than 1,000 hours are eligible to participate in the CalPERS. Benefits vest after 5 years of service. Benefits for employees vary based upon final yearly compensation, safety or non-safety status, length of service and age at retirement. CalPERS also provides death and disability benefits.

City employees' contribution rates are 8% (9% for public safety employees) of their annual covered salary. The City currently pays the employees' contribution to CalPERS for both miscellaneous and safety employees. The employer CalPERS contribution rates for fiscal year 2005-06 were 19.73% for non-safety employees and 16.143% for safety employees, of annual covered payroll. The City is required to contribute amounts necessary to fund the benefits for its members using the actuarial basis recommended by CalPERS. The contribution to CalPERS for fiscal year 2005-06 was approximately \$30,684,000 (equal to its required contributions of approximately \$30,389,000 plus the effect of amortization of the net pension asset of approximately \$295,000). The City has budgeted a contribution of \$37,538,060 for fiscal year 2006-07 (including the supplemental appropriation) from the General Fund and other revenue sources.

Three-year trend information for CalPERS funding is set forth in the following table (in thousands of dollars):

Fiscal Year Ending <u>June 30,</u>	Actual Pension Cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension Obligation <u>(Asset)</u>⁽¹⁾
2004	\$20,051	540%	(88,300)
2005	28,948	305	(147,842)
2006	30,684	100	(147,546)

(1) The Net Pension Asset is reflected in the City's Government-wide Statement of Net Assets as a deferred charge.

The City is amortizing its CalPERS unfunded actuarial accrued liability, as set forth in the following table, as a level percentage of projected payroll on a closed basis over 19 years. The following table, excerpted from the City's audited financial statements for fiscal year 2005-06, describes the schedule of funding for CalPERS (unaudited):

<u>Plan</u>	<u>Actuarial Valuation Date</u>	<u>Entry Age Normal Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>% Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
Misc.	6/30/03	\$568,712	\$511,281	\$57,431	89.9%	\$75,838	75.7%
Safety	6/30/03	413,125	329,673	83,451	79.8	44,611	187.1
Misc.	6/30/04	611,841	537,352	74,488	87.8	77,960	95.5
Safety	6/30/04	454,795	440,172	14,623	96.8	48,635	30.1
Misc.	6/30/05	665,642	634,694	20,948	96.8	84,290	24.9
Safety	6/30/05	486,880	468,652	18,228	96.3	50,368	36.2

In fiscal year 2003-04, the City issued Pension Obligation Bonds in the amount of \$89,540,000 to fund the unfunded actuarial accrued liability for public safety employees (which, as of June 30, 2004, was \$88,300,000). Proceeds from the bonds were deposited with CalPERS. As of June 30, 2006, the City had \$87,155,000 principal amount of these Pension Obligation Bonds outstanding.

In fiscal year 2004-05, the City issued Pension Obligation Bonds in the amount of \$60,000,000 to partially fund unfunded actuarial accrued liabilities for non-safety employees (which as of June 30, 2005 was \$73,400,000). Proceeds from the bonds in the amount of \$59,434,000 were deposited with CalPERS. As of June 30, 2006, the City had \$59,315,000 principal amount of these Pension Obligation Bonds outstanding.

A total of \$147,546,000 of net pension assets (including the Pension Obligation Bonds issued in fiscal year 2005-06) are included as a deferred charge in the Government-wide Statement of Net Assets. The deferred charge relating to the net pension assets will be amortized over 19 years in accordance with the method used by CalPERS for calculating actuarial gains and losses.

Agency Post-Retirement Medical Benefits

The City permits certain retirees to participate in its group medical plans, but the retirees are responsible for paying all related costs.

Population

The following sets forth the City, the County and the State population estimates as of January 1, for the years 2002 to 2006:

CITY OF RIVERSIDE, RIVERSIDE COUNTY AND STATE OF CALIFORNIA Estimated Population

Year (January 1)	City of Riverside	Riverside County	State of California
2002	270,944	1,653,847	35,088,671
2003	277,459	1,726,321	35,691,472
2004	281,775	1,807,624	36,245,016
2005	287,321	1,888,311	36,728,196
2006	287,820	1,953,330	37,172,015

Source: State of California Department of Finance, Demographic Research Unit.

Commerce

The table below shows the number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the City for the last five years.

CITY OF RIVERSIDE Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions (Dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2001	2,974	\$2,691,979	6,684	\$3,407,252
2002	3,222	2,891,630	7,367	3,660,907
2003	3,355	3,210,160	7,707	3,974,583
2004	3,803	3,718,999	7,967	4,603,769
2005	3,981	4,019,963	7,664	4,950,254

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

The table below shows the number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County for the last five years.

COUNTY OF RIVERSIDE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2001	16,785	\$13,173,281	36,292	\$18,231,555
2002	17,646	14,250,733	38,767	19,498,994
2003	18,300	16,030,952	40,833	21,709,135
2004	20,642	18,715,949	42,826	25,237,148
2005	22,691	20,839,212	44,222	28,256,491

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Employment and Industry

The City is included in the Riverside-San Bernardino-Ontario labor market area. The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 5.2 percent in January 2007, up from 4.6 percent in December 2006, and above the year-ago estimate of 4.8 percent. This compares with an unadjusted unemployment rate of 5.3 percent for California and 5.0 percent for the nation during the same period. The unemployment rate was 5.4 percent for Riverside County and 5.0 percent in San Bernardino County.

The following table shows the average annual estimated numbers of wage and salary workers by industry. Does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

RIVERSIDE-SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA (RIVERSIDE COUNTY) Civilian Labor Force, Employment and Unemployment (Annual Averages)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Civilian Labor Force ⁽¹⁾	1,639,700	1,688,300	1,650,500	1,714,000	1,770,500
Employment	1,543,400	1,588,700	1,556,100	1,627,700	1,684,400
Unemployment	96,300	99,600	94,400	86,300	86,100
Unemployment Rate	5.9%	5.9%	5.7%	5.0%	4.9%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	20,300	20,300	18,700	18,300	17,200
Natural Resources and Mining	1,200	1,200	1,200	1,400	1,400
Construction	90,900	99,000	111,800	123,300	129,500
Manufacturing	115,400	116,100	120,100	121,000	124,000
Wholesale Trade	41,900	43,500	45,600	49,900	53,800
Retail Trade	137,500	142,700	153,800	165,700	171,500
Transportation, Warehousing and Utilities	46,800	50,100	55,500	60,200	63,800
Information	14,100	13,900	14,000	14,500	15,200
Finance and Insurance	23,500	25,700	28,000	30,100	31,900
Real Estate and Rental and Leasing	15,900	16,900	17,700	18,900	20,000
Professional and Business Services	106,800	115,400	125,500	133,200	142,200
Educational and Health Services	112,400	115,800	118,400	119,900	122,700
Leisure and Hospitality	107,200	109,000	116,700	122,600	128,700
Other Services	38,100	38,400	39,300	40,800	42,600
Federal Government	16,900	17,000	17,300	18,700	18,800
State Government	26,600	26,600	26,500	27,000	27,300
Local Government	169,300	167,900	168,700	174,800	178,100
Total All Industries	1,084,800	1,119,400	1,178,700	1,240,300	1,288,400

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

Major Employers

The following table lists the largest employers within the County:

COUNTY OF RIVERSIDE LARGEST EMPLOYERS (As of June, 2006)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
County of Riverside	Riverside	County government
University of California Riverside	Riverside	College/university
Stater Bros. Markets	Colton	Grocery retailer
Pechanga Resort & Casino	Temecula	Casino/resort
March Air Reserve Base	March ARB	Government/military
Riverside Unified School District	Riverside	Education
Kaiser Permanente Riverside	Riverside	Healthcare
Guidant Corp.	Temecula	Medical device manufacturer
Temecula Valley Unified School District	Temecula	School district
Morongo Casino, Resort & Spa	Cabazon	Gaming
Hemet Unified School District	Hemet	School district
City of Indio	Indio	City
Fleetwood Enterprises Inc.	Riverside	RV/home manufacturer
Riverside Community College District	Riverside	Higher education
Alvord Unified School District	Riverside	School district
Riverside County Office of Education	Riverside	Education
Riverside Community Hospital	Riverside	Hospital
La Quinta Resort & Club/PGA West	La Quinta	Resort
Corona Regional Medical Center	Corona	Healthcare/hospital
The Press-Enterprise	Riverside	Printing and publishing
Fender	Corona	Musical instrument manufacturing
City of Corona	Corona	Local government
Perris Union High School District	Perris	School district

Source: Riverside County Economic Development Agency, Demographics Unit

Construction Activity

The following is a six year summary of the valuation of building permits issued in the City.

CITY OF RIVERSIDE Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Permit Valuation</u>						
New Single-family	\$254,494.2	\$218,696.1	\$140,055.6	\$205,436.7	\$333,223.8	\$201,011.8
New Multi-family	2,719.0	0.0	93,711.0	23,610.9	44,223.8	32,498.8
Res. Alterations/Additions	<u>11,064.2</u>	<u>12,584.7</u>	<u>19,772.5</u>	<u>22,225.7</u>	<u>22,817.8</u>	<u>17,139.3</u>
Total Residential	268,277.3	231,280.8	253,539.1	251,273.3	400,265.4	250,649.9
New Commercial	41,602.5	53,790.8	62,900.5	161,598.7	107,106.2	118,436.2
New Industrial	13,086.4	6,190.8	14,973.6	14,593.8	26,909.5	35,584.1
New Other	9,977.0	17,948.3	18,816.8	32,324.4	35,436.2	26,905.6
Com. Alterations/Additions	<u>31,886.2</u>	<u>32,820.6</u>	<u>45,913.7</u>	<u>40,374.2</u>	<u>56,320.9</u>	<u>63,389.1</u>
Total Nonresidential	96,552.0	110,750.4	142,604.6	248,891.2	225,772.7	244,315.2
<u>New Dwelling Units</u>						
Single Family	1,237	1,113	689	820	1,442	848
Multiple Family	<u>40</u>	<u>0</u>	<u>1,377</u>	<u>282</u>	<u>521</u>	<u>286</u>
TOTAL	1,277	1,113	2,066	1,102	1,963	1,134

Source: Construction Industry Research Board, *Building Permit Summary*

The following is a five year summary of the valuation of building permits issued in the County. Numbers are not yet available for 2006.

COUNTY OF RIVERSIDE Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Permit Valuation</u>					
New Single-family	\$3,051,190.4	\$3,670,371.4	\$4,665,675.7	\$5,997,513.2	\$6,243,791.7
New Multi-family	174,628.0	165,413.0	406,483.0	404,615.9	407,432.1
Res. Alterations/Additions	<u>70,849.7</u>	<u>87,842.9</u>	<u>106,855.8</u>	<u>135,176.6</u>	<u>164,312.5</u>
Total Residential	3,296,668.2	3,923,627.4	5,179,014.5	6,537,305.6	6,815,536.3
New Commercial	287,068.6	297,963.6	360,707.4	580,057.8	552,666.9
New Industrial	74,766.3	80,881.6	112,706.6	203,311.9	120,367.6
New Other	152,854.0	187,510.6	261,793.6	334,001.0	344,703.2
Com. Alterations/Additions	<u>143,351.7</u>	<u>174,785.7</u>	<u>173,165.5</u>	<u>222,495.5</u>	<u>274,337.7</u>
Total Nonresidential	658,040.6	741,141.5	908,373.1	1,339,866.1	1,292,075.4
<u>New Dwelling Units</u>					
Single Family	16,556	20,591	25,137	29,478	29,994
Multiple Family	<u>2,458</u>	<u>2,073</u>	<u>5,224</u>	<u>4,748</u>	<u>4,140</u>
TOTAL	19,014	22,664	30,361	34,226	34,134

Source: Construction Industry Research Board, *Building Permit Summary*

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

CITY OF RIVERSIDE Effective Buying Income 2001 through 2005

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2001	City of Riverside	\$3,636,701	\$37,231
	Riverside County	23,617,301	37,480
	California	650,521,407	43,532
	United States	5,303,481,498	38,365
2002	City of Riverside	\$3,874,905	\$37,406
	Riverside County	25,180,040	38,691
	California	647,879,427	42,484
	United States	5,340,682,818	38,035
2003	City of Riverside	\$4,135,550	\$37,794
	Riverside County	27,623,743	39,321
	California	674,721,020	42,924
	United States	5,466,880,008	38,201
2004	City of Riverside	\$4,303,175	\$38,787
	Riverside County	29,468,208	40,275
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	City of Riverside	\$4,510,655	\$39,461
	Riverside County	32,004,438	41,326
	California	720,798,106	44,681
	United States	5,894,663,364	40,529

Source: Sales & Marketing Management Survey of Buying Power for 2001 through 2004; Claritas Demographics for 2005

Education

The City is included within the boundaries of the Riverside Unified School District and the Alvord Unified School District, which also serves the County area southwest of the City. These two districts include 61 elementary and middle schools and high schools. There are also about 48 private or parochial schools for kindergarten through twelfth grade. Higher education is available at four institutions: Riverside Community College, University of California at Riverside, California Baptist University and La Sierra University at Riverside. Also located in the City are the California School for the Deaf and the Sherman Institute, a federally-run school for Indians.

Transportation

The City is served by a variety of land and air transportation facilities. Light rail commuter service is provided by Metrolink to Los Angeles and Orange Counties. Interstate bus service is available via Greyhound, and local bus service is provided by the Riverside Transit Agency. Most major trucking firms serve the City in addition to numerous local carriers. Overnight delivery can be scheduled to San Francisco, Los Angeles, San Diego and Sacramento.

Freight rail service to the City is provided by two major transcontinental railroads: the Santa Fe and Union Pacific. Amtrak-operated passenger train service is available at San Bernardino, approximately 15 miles north of the City.

Scheduled air transportation is available from the Ontario International Airport, approximately 18 miles to the west. The City-operated Riverside Municipal Airport is a general aviation facility.

The City is served by the Riverside Freeway (State Route 91), which provides access to Orange County; Interstate 215, which connects the City to San Diego, San Bernardino and points beyond; and the Pomona Freeway (U.S. Highway 60), an east-west route.

To support transportation improvements, in November 1988 Riverside County voters approved Measure A, a one-half cent sales tax increase. Measure A was to expire in 2009, but in 2002, Riverside County voters approved extending Measure A until 2039. Measure A is expected to generate \$4.6 billion between 2009 and 2039. In 1990, voters of the adjacent San Bernardino County approved a similar program, and that sales tax was similarly increased by a vote of the electorate in November 2003.

APPENDIX C
AGENCY AUDITED FINANCIAL STATEMENTS
FOR
FISCAL YEAR ENDED JUNE 30, 2006

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**Annual Financial Report
For Fiscal Year Ended June 30, 2006**

**Prepared by the Development Department
Bradley J. Hudson, Executive Director
3900 Main Street, 5th Floor
Riverside, California 92522**

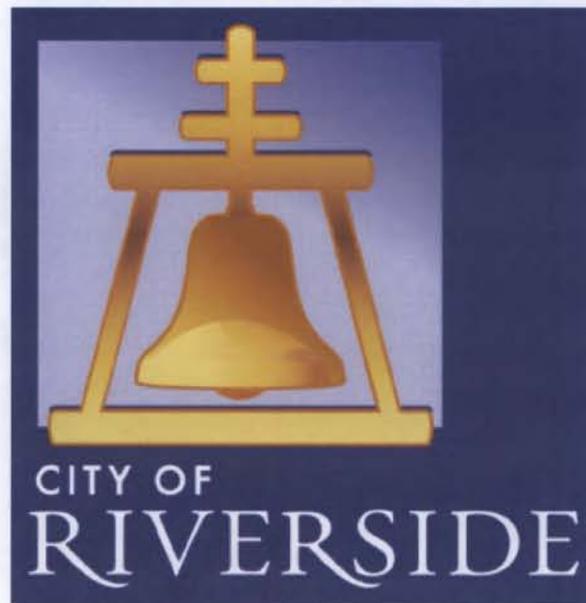


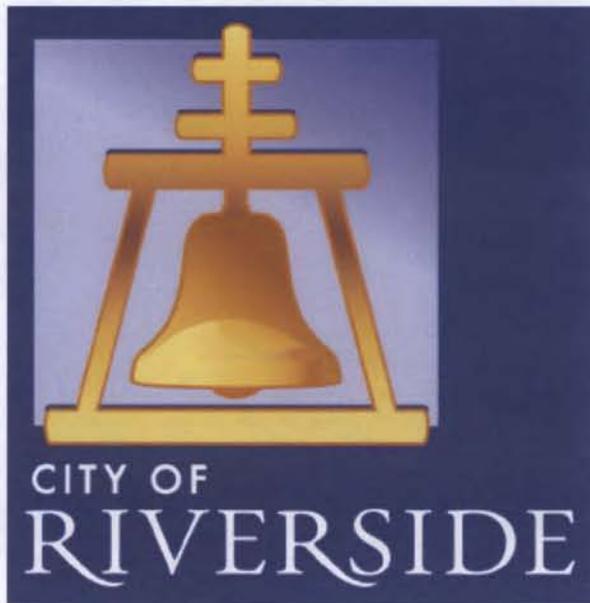
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Redevelopment Agency of the City of Riverside

Redevelopment Agency Board

Ronald O. Loveridge
Dom Betro
Andy Melendrez
Art Gage
Frank Schiavone
Ed Adkison
Nancy Hart
Steve Adams

Mayor
Council Member—Ward 1
Council Member—Ward 2
Council Member—Ward 3
Council Member—Ward 4
Council Member—Ward 5
Council Member—Ward 6
Council Member—Ward 7

Agency Officials

Bradley J. Hudson
Colleen J. Nicol
Paul C. Sundeen
Gregory P. Priamos
Belinda J. Graham
Eva Yakutis-McNiel
Conrad Guzkowski
Carol A. Britton

Executive Director
Agency Secretary
Agency Treasurer
Agency General Counsel
Development Director
Housing and Community Development Manager
Redevelopment Program Manager
Development Fiscal Manager



Mayer Hoffman McCann P.C.

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Board of Directors
Redevelopment Agency of the City of Riverside
Riverside, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Riverside, a blended component unit of the City of Riverside, California, as of and for the year ended June 30, 2006, which collectively comprise the Redevelopment Agency of the City of Riverside's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Riverside, California, as of June 30, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Board of Directors
Redevelopment Agency of the City of Riverside
Page Two

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Redevelopment Agency of the City of Riverside, California's basic financial statements. The combining and individual nonmajor fund financial statements and computation of excess/surplus funds, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2006 on our consideration of the Redevelopment Agency of the City of Riverside's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman Melan P.C.

Irvine, California
September 30, 2006

Management's Discussion and Analysis

As management of the Redevelopment Agency of the City of Riverside (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2006. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

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

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

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

The *Statement of Activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements highlight functions of the Agency that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Agency include redevelopment activities and interest on long-term debt. Redevelopment activities include the development of projects and infrastructure necessary to eliminate blight and encourage economic expansion, which creates and preserves jobs for citizens of the project areas.

The government-wide financial statements can be found on pages 10-11 of this report.

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

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

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

The Agency maintains twenty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Downtown/Airport and University Corridor/Sycamore Canyon Debt Service Funds and for the Casa Blanca, Downtown/Airport and University Corridor/Sycamore Canyon Capital Projects Funds, all of which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* as supplementary information.

The basic governmental fund financial statements can be found on pages 12-13 and 15-16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-31 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found in the supplementary information on pages 32-37 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, liabilities exceeded assets by \$29,729 at June 30, 2006.

By far the largest portion of the Agency's net deficit reflects its bonded indebtedness. The Agency, operating under California Redevelopment Law, must maintain debt in excess of its available assets to legally receive tax increment revenue. Bond funds are used to construct infrastructure, which becomes an asset of the City, or to alleviate blight. These expenditures do not create assets to offset bonded debt. Future tax increment revenues must be used to liquidate noncurrent bond liabilities.

A summary of the Agency's Statement of Net Assets at June 30, 2006 compared to June 30, 2005 is as follows:

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
Non-capital assets	\$137,503	\$125,968
Capital assets	<u>6,377</u>	<u>1,642</u>
Total assets	<u>143,880</u>	<u>127,610</u>
Long-term liabilities outstanding	155,559	157,014
Other liabilities	<u>18,050</u>	<u>11,725</u>
Total liabilities	<u>173,609</u>	<u>168,739</u>
Net assets:		
Invested in capital assets, net of related debt	6,377	1,642
Restricted	14,613	13,499
Unrestricted	<u>(50,719)</u>	<u>(56,270)</u>
Total net assets	<u>(\$29,729)</u>	<u>(\$41,129)</u>

- Non-capital assets increased \$11,535 due primarily to increased tax increment revenues from assessed value increases and tax increment revenues for the new La Sierra/Arlanza project area.
- Capital assets increased \$4,735 due to the acquisition and rehabilitation of the Fox Theater in the Downtown/Airport project area.
- Long-term liabilities decreased \$1,455 as the result of the repayment of a city advance for the RCC School of the Arts in the Downtown/Airport project area.
- Other liabilities increased \$6,325 primarily due to City advances issued to the following project areas: Magnolia Center, for projects surrounding the Riverside Plaza; University Corridor/Sycamore Canyon, for property acquisitions; and Hunter Park/Northside, for improvements to the Columbia Avenue on and off ramps, infrastructure projects and the Grove Business Park.

Governmental activities. Governmental activities increased the Agency's net assets by \$11,400. Key elements of this increase are as follows:

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
Revenues:		
Program revenues:		
Charges for Services	\$3,321	\$3,569
Capital grants and contributions	814	917
General revenues:		
Property tax increment	35,268	21,242
Other	<u>4,928</u>	<u>6,370</u>
Total revenues	<u>44,331</u>	<u>32,098</u>
Expenses:		
Redevelopment activities	25,593	17,787
Interest on long-term debt	<u>7,338</u>	<u>7,561</u>
Total expenses	<u>32,931</u>	<u>25,348</u>
Increase(Decrease) in net assets	11,400	6,750
Net assets (deficit) – July 1	<u>(41,129)</u>	<u>(47,879)</u>
Net assets (deficit) – June 30	<u>(\$29,729)</u>	<u>(\$41,129)</u>

- Property tax increment revenues increased \$14,026 (66%) during the year, primarily due to the rise in assessed property values as properties change ownership and tax increment from the new La Sierra/Arlanza Project Area
- Other general revenues decreased a net of \$1,442 primarily due to decreased investment earnings.
- Redevelopment activity expenses increased \$7,806 from the prior year. Several projects continued from the prior year fiscal year, using funding provided by bond issues in the Arlington, Casa Blanca and Downtown/Airport Project Areas and the Housing Set-Aside bonds. These projects include: California Square, Casa Blanca Health Clinic, Merrill Avenue properties, Targets of Opportunity and the Fox Theater.

Financial Analysis of the Agency's Funds

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

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

As of the end of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$89,786, an increase of \$8,793 in comparison with the prior year. Approximately 64% of this total amount (\$57,146) constitutes unreserved fund balance, which is available for spending in accordance with the fund's purpose. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$2,780), 2) to pay debt service (\$14,613), and 3) for a variety of other restricted purposes (\$15,247).

Capital Asset and Debt Administration

Capital assets. The Agency's investment in capital assets for its governmental activities as of June 30, 2006 amounts to \$6,377 (net of accumulated depreciation). This investment in capital assets includes land and equipment. A summary of the Agency's capital assets, net of depreciation, follows:

	Capital Assets 2006	Capital Assets 2005
Land	\$1,289	\$1,289
Buildings	0	0
Improvements other than buildings	370	370
Machinery and equipment	534	282
Construction in progress	4,524	0
Subtotal	6,717	1,941
Less accumulated depreciation	(340)	(299)
Total	\$6,377	\$1,642

Additional information on the Agency's capital assets can be found in note 5 on page 23 of this report.

Long-term debt. At the end of the current fiscal year, the Agency had total bonded debt outstanding of \$140,195. The bonds are secured solely by specified revenue sources (i.e., tax allocation bonds).

The Agency's total debt increased by \$8,436 offset by retirements of \$6,359 during the current fiscal year.

Time and bonded debt limitations exist in all project areas. Time limitations vary by dates area was added to the project.

<u>Project Area</u>	<u>Time limitations to incur debt</u>	<u>Bonded Debt Limit (in millions)</u>
Downtown/Airport	2011-2014	\$149
Casa Blanca	2014	80
University Corridor/Sycamore Canyon	2014-2017	187
Arlington	2014-2023	125
Magnolia Center	2018	55
Hunter Park/Northside	2023	115
La Sierra/Arlanza	2024	235

The Agency does not have an overall credit rating. Bond issues are rated individually at time of issuance.

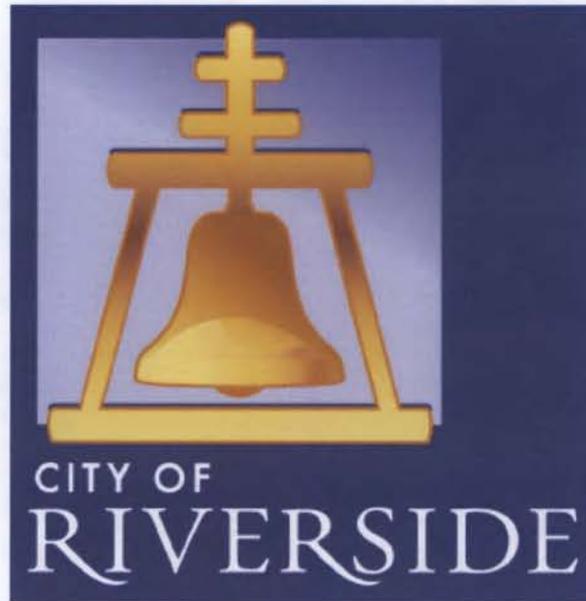
Additional information on outstanding debt may be found on pages **xx-xx** of this report.

Economic Factors and Next Year's Budget

The assessed value of property continues to rise in the redevelopment project areas. Management estimates that tax increment revenues will increase by 4% for the next fiscal year.

Request for information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Redevelopment Agency Treasurer, 3900 Main Street, Riverside, CA 92522.



CITY OF
RIVERSIDE

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
 STATEMENT OF NET ASSETS
 June 30, 2006
 (amounts expressed in thousands)

<u>Assets:</u>	
Cash and investments	\$46,260
Cash and investments at fiscal agent	35,870
Receivables (net of allowances for uncollectibles)	1,259
Rehabilitation loans receivable	11,877
Capital lease receivable	26,685
Deposits	10
Prepaid items	2
Deferred charges	2,424
Land and improvements held for resale	13,116
Land and other capital assets not being depreciated	5,813
Capital assets (net of accumulated depreciation)	564
Total assets	<u>143,880</u>
<u>Liabilities</u>	
Accounts payable and other accrued liabilities	7,090
Accrued interest payable	2,627
Noncurrent liabilities:	
Due within one year	8,333
Due in more than one year	155,559
Total liabilities	<u>173,609</u>
<u>Net assets (deficit)</u>	
Invested in capital assets, net of related debt	6,377
Restricted for:	
Debt service	14,613
Unrestricted	(50,719)
Total net assets (deficit)	<u>(\$29,729)</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
 STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
 For the year ended June 30, 2006
 (amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Capital Grants and Contributions	Revenue and Changes in Net Assets Total
Governmental activities:				
Redevelopment activities	\$25,593	\$3,321	\$814	(\$21,458)
Interest on long-term debt	7,338			(7,338)
Total governmental activities	<u>\$32,931</u>	<u>\$3,321</u>	<u>\$814</u>	<u>(28,796)</u>
General revenues:				
Property taxes				35,268
Investment earnings				2,489
Miscellaneous				2,439
Total general revenues				<u>40,196</u>
Change in net assets				11,400
Net assets (deficit) - beginning				<u>(41,129)</u>
Net assets (deficit) - ending				<u><u>(\$29,729)</u></u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006
(amounts expressed in thousands)

	Special Revenue	Debt Service		
	Downtown/ Airport	Downtown/ Airport	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza
Assets				
Cash and investments	\$0	\$3,105	\$1,704	\$0
Cash and investments at fiscal agent	11,985	3,729	2,309	0
Interest receivable	0	23	21	56
Accounts receivable, net	0	405	50	0
Intergovernmental receivables	0	0	0	0
Rehabilitation loans receivable	1,258	0	0	0
Capital lease receivable	0	26,685	0	0
Prepaid items	0	0	0	0
Deposits	0	0	0	0
Due from other funds	0	0	0	0
Land and improvements held for resale	1,617	0	0	0
Total assets	\$14,860	\$33,947	\$4,084	\$56
Liabilities and fund balances				
Liabilities:				
Account payable	\$16	\$0	\$0	\$0
Unearned revenue	1,258	26,685	0	0
Due to other funds	504	0	0	4
Total liabilities	1,778	26,685	0	4
Fund balances:				
Reserved for:				
Encumbrances	49	0	0	0
Debt service	0	7,262	4,084	52
Non-current loans receivable	0	0	0	0
Prepaid items/deposits	0	0	0	0
Land and improvements held for resale	1,617	0	0	0
Unreserved, undesignated and designated for future operations:				
Capital projects funds	0	0	0	0
Special revenue funds	11,416	0	0	0
Total fund balances	13,082	7,262	4,084	52
Total liabilities and fund balances	\$14,860	\$33,947	\$4,084	\$56

(continued)

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006
(amounts expressed in thousands)

	Capital Projects Funds				Total Funds
	Casa Blanca	Downtown/ Airport	University Corridor/ Sycamore Canyon	Other Funds	
Assets					
Cash and investments	\$3,137	\$8,477	\$4,683	\$25,154	\$46,260
Cash and investments at fiscal agent	3,149	8,597	1,346	4,755	35,870
Interest receivable	37	112	66	221	536
Accounts receivable, net	1	150	3	0	609
Intergovernmental receivables	0	0	114	0	114
Rehabilitation loans receivable	304	476	2,990	6,849	11,877
Capital lease receivable	0	0	0	0	26,685
Prepaid items	0	2	0	0	2
Deposits	0	10	0	0	10
Due from other funds	0	504	0	4	508
Land and improvements held for resale	148	2,493	2,584	6,274	13,116
Total assets	\$6,776	\$20,821	\$11,786	\$43,257	\$135,587
Liabilities and fund balances					
Liabilities:					
Account payable	\$257	\$2,479	\$1,375	\$2,963	\$7,090
Unearned revenue	0	570	2,918	6,772	38,203
Due to other funds	0	0	0	0	508
Total liabilities	257	3,049	4,293	9,735	45,801
Fund balances:					
Reserved for:					
Encumbrances	0	1,591	382	758	2,780
Debt service	0	0	0	3,215	14,613
Non-current loans receivable	304	0	73	77	454
Prepaid items/deposits	0	2	0	0	2
Land and improvements held for resale	148	2,493	2,584	6,274	13,116
Unreserved, undesignated and designated for future operations:					
Capital projects funds	6,067	13,686	4,454	17,591	41,798
Special revenue funds	0	0	0	5,607	17,023
Total fund balances	6,519	17,772	7,493	33,522	89,786
Total liabilities and fund balances	\$6,776	\$20,821	\$11,786	\$43,257	\$135,587

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006
(amounts expressed in thousands)

Total fund balances - governmental funds		\$89,786
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,518
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		2,424
Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds.		38,203
Long-term liabilities, as listed below, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	\$ (140,195)	
Interest Payable	(2,627)	
Notes Payable	(10,216)	
Advances Payable	(13,145)	
Compensated Absences	(336)	(166,519)
		<u>(\$32,588)</u>
Net assets (deficit) of governmental activities		<u>(\$32,588)</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006
(amounts expressed in thousands)

	Special Revenue	Debt Service		
	Downtown/ Airport	Downtown/ Airport	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza
Revenues:				
Tax increment	\$1,964	\$7,898	\$5,179	\$6,540
Interest	369	193	173	77
Intergovernmental	0	200	0	0
Miscellaneous	12	2,512	587	0
Total revenues	<u>2,345</u>	<u>10,803</u>	<u>5,939</u>	<u>6,617</u>
Expenditures:				
Current:				
Salaries and administrative	408	79	301	51
Professional services	9	11	0	0
Property acquisitions	0	0	0	0
Relocation costs	0	0	0	0
Project improvement	236	0	0	0
Pass-through agreement	0	0	0	0
Debt service:				
Principal	0	2,590	963	0
Interest	0	3,972	1,682	0
Repayment of advances	0	2,220	2	0
Total expenditures	<u>653</u>	<u>8,872</u>	<u>2,948</u>	<u>51</u>
Excess(deficiency) of revenues over(under) expenditures	<u>1,692</u>	<u>1,931</u>	<u>2,991</u>	<u>6,566</u>
Other financing sources(uses):				
Transfers in	25	3,393	945	0
Transfers out	(1,607)	(4,375)	(3,801)	(6,514)
Advances from the City	200	11	2	0
Gain (loss) on sale of assets	0	0	0	0
Total other financing sources(uses)	<u>(1,382)</u>	<u>(971)</u>	<u>(2,854)</u>	<u>(6,514)</u>
Net change in fund balances	<u>310</u>	<u>960</u>	<u>137</u>	<u>52</u>
Fund balances, July 1	<u>12,772</u>	<u>6,302</u>	<u>3,947</u>	<u>0</u>
Fund balances, June 30	<u>\$13,082</u>	<u>\$7,262</u>	<u>\$4,084</u>	<u>\$52</u>

(continued)

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006
(amounts expressed in thousands)

	Capital Projects Funds				Total Funds
	Casa Blanca	Downtown Airport	University Corridor/ Sycamore Canyon	Other Funds	
Revenues:					
Tax increment	\$0	\$0	\$0	\$13,687	\$35,268
Interest	212	681	194	611	2,510
Intergovernmental	0	0	114	0	314
Miscellaneous	24	981	561	396	5,073
Total revenues	236	1,662	869	14,694	43,165
Expenditures:					
Current:					
Salaries and administrative	351	909	657	2,675	5,431
Professional services	8	1,229	153	311	1,721
Property acquisitions	0	2,562	11	186	2,759
Relocation costs	0	161	92	1,037	1,290
Project improvement	331	2,217	776	4,692	8,252
Pass-through agreement	647	4,365	2,220	3,513	10,745
Debt service:					
Principal	0	0	0	837	4,390
Interest	0	0	0	1,582	7,236
Repayment of advances	0	0	0	226	2,448
Total expenditures	1,337	11,443	3,909	15,059	44,272
Excess(deficiency) of revenues over(under) expenditures	(1,101)	(9,781)	(3,040)	(365)	(1,107)
Other financing sources(uses):					
Transfers in	1,188	4,351	3,801	15,465	29,168
Transfers out	0	(2,786)	(2)	(10,083)	(29,168)
Advances from the City	0	0	805	7,695	8,713
Gain (loss) on sale of assets	0	642	0	545	1,187
Total other financing sources(uses)	1,188	2,207	4,604	13,622	9,900
Net change in fund balances	87	(7,574)	1,564	13,257	8,793
Fund balances, July 1	6,432	25,346	5,929	20,265	80,993
Fund balances, June 30	\$6,519	\$17,772	\$7,493	\$33,522	\$89,786

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006
(amounts expressed in thousands)

Net change in fund balances-total governmental funds \$8,793

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, as listed below:

Capital Outlay	\$ 1,922	
Depreciation Expense	<u>(46)</u>	1,876

Revenues in the statement of activities that do not meet the "availability" criteria for revenue recognition and therefore are not recorded as revenue in the funds. (21)

The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of long-term debt and related items is listed below:

Principal payments	\$ 4,390	
Premiums on LTD	134	
Amortization of deferred charges	(140)	
Interest	63	
Advances from the City	(8,713)	
Repayments of Advances	2,448	
Other	<u>(289)</u>	(2,107)

Change in net assets of governmental activities \$8,541

The notes to the financial statements are an integral part of this statement.

(amounts expressed in thousands)

Note 1. Summary of Significant Accounting Policies

A. Nature of Operations

The Redevelopment Agency of the City of Riverside (Agency) rehabilitates blighted areas within eight active project areas located within the boundaries of the City of Riverside (City). The members of the City Council serve as the governing board of the Agency (Board). The Agency actively participates in projects of a public nature that encourage the development or rehabilitation of private and public development projects. Additionally, the Agency is actively involved in City-wide historic preservation and initiated a program in early 1990 designed to preserve, through redevelopment activities along with special State and Federal incentives, the integrity of historic civic, commercial and residential structures and neighborhoods. The Agency plans to use the special features that give the City its unique character as a catalyst for new development, tourism and economic revitalization.

B. Reporting Entity

The Agency was created in 1969, in accordance with the Community Redevelopment Law of California and the State of California Health and Safety Code, and is a legal entity, separate and distinct from the City of Riverside.

The Agency is a "component unit" of the City of Riverside for financial reporting purposes because it meets the criteria established by the Codification of Governmental Accounting and Financial Reporting Standards: City Council members act as the Agency Board; the City has the ability to impose its will on the

Agency; and the Agency has the potential to provide specific benefits to or impose specific financial burdens on the City.

Actions of the Agency are binding, and business, including the incurrence of long-term obligations, is routinely transacted in the Agency's name by its appointed representatives. The Agency is broadly empowered to engage in general economic revitalization and redevelopment of the City through acquisition and development of property in City areas determined to be in a declining condition.

In fiscal year 1988, the Riverside Public Financing Authority (Authority), a non-profit corporation, was created as a joint-powers authority between the Agency and the City to serve as a conduit for the issuance of bonds to fund improvements in various redevelopment project areas. The Authority has issued tax allocation bonds secured by loan agreements between the Agency and the Authority. These loan agreements are secured by a first pledge of and lien on a portion of property tax revenues within the respective project areas. Financial data of the Authority is included in the appropriate fund types of the Agency. Separate Authority financial statements may be obtained from the City's Finance Department, 3900 Main Street, Riverside, California 92522.

The Agency has received/advanced monies from/to the City of Riverside for use on redevelopment projects. Agreements between the Agency and the City provide for the Agency to repay the advances from future tax increment revenues, subordinated to the Agency's bonded debt. Included in the statement of net assets at June 30, 2006, are advances from the City, totaling \$13,145.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

C. Government-wide and Fund Financial Statements

The Agency-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Agency. All significant interfund activity has been removed from these statements. The Agency provides only governmental activities, which are supported by taxes and intergovernmental revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Agency reports the following major governmental funds:

Debt service funds for the Downtown/Airport and the University Corridor/Sycamore Canyon project areas are reported as major funds. The debt service funds account for the resources accumulated and payments made for principal and interest on long-term obligation debt of the Agency.

Capital projects funds for the Casa Blanca, Downtown/Airport and University Corridor/Sycamore Canyon project areas are reported as major funds. The capital project funds account for the resources accumulated and payments made for projects of the Agency.

Program revenues consist of charges for services and capital grants and contributions. Charges for services include lease payments received on California Tower and principal payments on loans. Capital grants and contributions include revenue from the Economic Development Administration grant from the U. S. Department of Commerce for Mission Village.

E. Cash and Investments

In accordance with Agency policy, the Agency's cash and investments, except for cash and investments with fiscal agents, are invested in a pool managed by the Treasurer of the City. The Agency does not own specific, identifiable investments of the pool. The pooled interest earned is allocated monthly based on the month end cash balances.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

The City values its cash and investments in accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools (GASB 31)," which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net assets/balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using quoted market prices.

Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings.

Citywide information concerning cash and investments for the year ended June 30, 2006, including authorized investments, custodial credit risk, credit and interest rate risk for debt securities and concentration of investments, carrying amount and market value of deposits and investments may be found in the notes of the City's "Comprehensive Annual Financial Report."

F. Cash and Investments at Fiscal Agents

Cash and investments maintained by fiscal agents are considered restricted by the Agency and are pledged as collateral for payment of principal and interest on bonds.

Provisions of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy, govern investments of debt proceeds held by bond fiscal agents. Permitted investments are specified in related trust agreements and include the following:

- Securities of the U. S. Government and its sponsored agencies
- Bankers' Acceptances rated in the single highest classification
- Commercial Paper rated in the single highest classification
- Investments in money market funds rated in the single highest classification
- Municipal obligations rated Aaa/AAA or general obligations of states with ratings of at least A2/A or higher by both Moody's and S&P
- Investment Agreements

No maximum percentage of the related debt issue or maximum investment in one issuer is specified.

Investments held by fiscal agent are as follows:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
Money Market Funds	\$ 11,072	\$11,072	\$ -	\$ -
Federal Agency Securities	2,522	2,522	-	-
Investment Contracts	16,449	0	11,983	227
Certificates of Deposit	<u>5,827</u>	<u>5,600</u>	-	-
Total	<u>\$35,870</u>	<u>\$19,194</u>	<u>\$11,983</u>	<u>\$227</u>

All investments held by fiscal agent, with the exception of the certificates of deposit which are A rated, are held in AAA investments.

(amounts expressed in thousands)

G. Capital Assets

Capital assets, other than infrastructure assets, are defined by the City as assets with an initial individual cost of five thousand dollars or more and an estimated useful life of over one year. Assets are capitalized at historical cost or, in the case of gifts or contributions, at fair value at the time of receipt by the Agency. Assets are depreciated based on their estimated useful lives: buildings and improvements, 20-99 years and machinery and equipment, 3-15 years.

H. Land and Improvements Held for Resale

Land and improvements held for resale are generally acquired under Developer Disposition Agreements (DDAs) in the normal course of redevelopment activity. The DDAs provide for transfer of the property to developers after certain redevelopment obligations have been fulfilled. The property is carried at cost until an event occurs to indicate a lower net realizable value.

I. Compensated Absences

The Agency's employees receive ten to twenty-three vacation days a year based upon length of service. A maximum of two years' vacation accrual can be accumulated and unused vacation is paid in cash upon separation.

Employees primarily receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, a percentage of unused sick leave is paid to certain employees or their estates in lump sum based on longevity.

Compensated absences of \$336 have been recorded in the statement of net assets.

J. Long-Term Obligations

In the Agency-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs, as expenditures of the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

K. Fund Equity

In the fund financial statements, reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Designated fund balances represent amounts identified by management for the future use of financial resources.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation,

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

M. Interfund Transactions

Interfund transactions at the fund level representing services provided are accounted for as revenues and expenditures. Transactions which constitute reimbursements are eliminated in the reimbursed fund and accounted for as expenditures in the fund to which the transaction is applicable.

During the year, transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying fund level statements. The noncurrent portion of long-term interfund loans are reported as advances from/to other funds and are equally offset by a fund balance reserve to indicate that the receivable does not constitute available expendable financial resources. These advances received from the City are for capital purposes and have been treated as an external borrowing in the fund financial statements. Advances the Agency has made to the City include accrued interest which has been offset by deferred revenue.

N. Unearned Revenues

Governmental funds report unearned revenue on their balance sheets. Unearned revenues arise in governmental funds when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Agency before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

O. Property Tax Calendar

Under California law, general property taxes are assessed for up to 1% of assessed value. General property taxes are collected by the counties along with other special district taxes and assessments and voter approved debt. General property tax revenues are collected and pooled by the county throughout the fiscal year and then allocated and paid to the county, cities and school districts based on complex formulas prescribed by State statutes.

Property taxes are levied on assessed values as of January 1 for the ensuing fiscal year. On July 1 of the fiscal year the levy is placed and a lien is attached to the property. Property taxes are due in two installments. The first installment is due November 1 and is delinquent on December 10. The second installment is due February 1 and is delinquent on April 10. Property taxes receivable represent current and prior years' delinquent tax levies, adjusted for uncollectable amounts.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

P. Tax Incremental Revenues

Incremental property taxes are considered as revenue by the Agency when they become measurable and available for financing redevelopment activities during the year.

Incremental property tax revenues represent property taxes collected from the taxes levied and collected each year on a redevelopment project in excess of the amount that would have been levied and collected on the base year property tax assessment. (A property tax base year is determined to be the year prior to the establishment of a redevelopment project area.)

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures. Specifically, the Agency has made certain estimates and assumptions relating to the collectibility of its receivables and the valuation of property held for resale. Actual results may differ from those estimates and assumptions.

R. Implementation of New Accounting Principles

The Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 46, Net Assets Restricted by Legislation – an amendment of GASB Statement No. 34. GASB 34 requires that limitations on the use of net assets imposed by enabling

legislation be reported as restricted net assets. GASB 46 clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. Statement 46 further requires that legal enforceability of an enabling legislation restriction be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. This statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. Accordingly, net assets restricted by legislation have been reported to conform to the provisions of GASB Statement No. 46. The adoption of this statement had no material impact on the financial statements.

GASB has issued several pronouncements prior to June 30, 2006 (for years ending on or after June 30, 2006) that has effective dates that may impact future financial representations.

Management has not currently determined what, if any, impact implementation of the following statement may have on the financial statement of the Redevelopment Agency of the City of Riverside.

- GASB Statement Number 42, "Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries."

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

Note 2: Rehabilitation Loans Receivable and Capital Lease Receivable

Rehabilitation Loans Receivable

The Agency grants loans of up to 55 years bearing interest from 0 to 12 percent secured by deeds of trust to individuals and businesses to assist in the redevelopment of the City.

The Agency's Governing Board must approve all loans. At the time such loans are approved, a commitment is established for the total loan amount. Portions of the loans are disbursed as construction and other rehabilitation costs are incurred.

As of June 30, 2006, loans receivable by project area are as follows:

Special Revenue Funds:	
Arlington	\$ 687
Casa Blanca	2,589
Magnolia Center	164
Downtown/Airport	1,258
University Corridor/Sycamore Canyon	3,333
Rehabilitation	51
	<u>8,082</u>
Capital Projects Funds:	
Casa Blanca	304
Downtown/Airport	476
Hunter Park/Northside	25
University Corridor/Sycamore Canyon	2,990
	<u>3,795</u>
Total	<u>\$11,877</u>

Capital Lease Receivable

The Agency has a Capital Lease Agreement with the State of California for the California Tower Office Complex, located in the Downtown/Airport Project Area. The Agreement is for a thirty year period and at maturity the ownership of California Tower will be transferred to the State. The terms of the Agreement require annual installments from \$95 to \$2,730 through October 1, 2024.

The minimum future annual installments to be received are as follows:

2007	\$2,273
2008	2,298
2009	2,324
2010	2,355
2011	2,381
Thereafter	<u>36,610</u>
Total Capital Lease Receivable	48,241
Less: Interest	<u>(21,556)</u>
Net Capital Lease Receivable	<u>\$26,685</u>

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

Note 3. Land and Improvements Held for Resale

A summary of the estimated net realizable value of land and improvements held for resale by project area as of June 30, 2006, is as follows:

Special Revenue Funds:	
Downtown Airport	\$ 1,617
University Corridor/Sycamore Canyon	837
	<u>2,454</u>
Capital Projects:	
Arlington	3,732
Casa Blanca	148
Magnolia Center	1,705
Downtown/Airport	2,493
University Corridor/Sycamore Canyon	2,584
	<u>10,662</u>
Total	<u>\$13,116</u>

Note 4. Transfers In/Out

Transfers are made between funds for debt service payments on housing bonds, to pay pass-through agreements and to transfer revenues in excess of debt service requirements to capital project funds. A summary of transfers between Redevelopment Agency funds at June 30, 2006, is as follows:

Transfer In Fund	Transfer out Fund	Amount
Debt Service	Special Revenue	\$ 3,351
	Special Revenue	1,200
	Capital Projects	900
Capital Projects	Debt Service	21,804
Special Revenue	Debt Service	25
Debt Service	Capital Projects	1,888
		<u>\$29,168</u>

Note 5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2006:

	Beginning Balance	Additions	Deletions/Transfers	Ending Balance
Capital assets, non-depreciable				
Land	\$1,289	\$0	\$0	\$1,289
Construction in progress	<u>0</u>	<u>4,524</u>	<u>0</u>	<u>4,524</u>
Total non-depreciable assets	<u>1,289</u>	<u>4,524</u>	<u>0</u>	<u>5,813</u>
Capital assets, depreciable				
Buildings	0	0	0	0
Improvements	370	0	0	370
Equipment	<u>282</u>	<u>257</u>	<u>5</u>	<u>534</u>
Total depreciable assets	<u>652</u>	<u>257</u>	<u>5</u>	<u>904</u>
Less accumulated depreciation:				
Buildings	0	0	0	0
Improvements	75	18	0	93
Equipment	<u>224</u>	<u>28</u>	<u>5</u>	<u>247</u>
Total depreciation	<u>299</u>	<u>46</u>	<u>5</u>	<u>340</u>
Capital Assets, Net	<u>\$1,642</u>	<u>\$4,735</u>	<u>\$0</u>	<u>\$6,377</u>

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

Note 6. Long-Term Obligations

Principal
Outstanding

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations during the fiscal year:

	Balance, Beginning Of Year	Additions	Reductions	Balance, End Of Year	Due within One Year
Notes Payable	\$10,645	\$0	\$430	\$10,215	\$485
Tax Allocation Bonds	112,008	0	3,040	108,968	3,110
Revenue Bonds	1,665	0	10	1,655	115
Lease Revenue Bonds	30,351	0	779	29,572	879
Compensated Absences	<u>313</u>	<u>23</u>	<u>0</u>	<u>336</u>	<u>152</u>
Sub-total	154,982	23	4,259	150,746	4,741
Advances from the City	<u>6,832</u>	<u>8,413</u>	<u>2,100</u>	<u>13,145</u>	<u>3,592</u>
Total	<u>\$161,814</u>	<u>\$8,436</u>	<u>\$6,359</u>	<u>\$163,891</u>	<u>\$8,333</u>

Notes Payable

The following notes payable were issued to promote development and expansion of areas within the project areas. The Agency has the following notes payable at June 30, 2006:

The Agency entered into an Agreement with the City of Riverside to make payments on a HUD Section 108 Loan used to fund the University Village Project, interest at 5.36% to 7.66%. The note is payable in annual principal and interest installments of \$272 to \$425 through August 1, 2015. \$2,895

The Agency entered into an Agreement with the City of Riverside to make payments on a HUD Section 108 loan used to fund the Mission Village Project, interest at 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999 of \$110 to \$420 through August 1, 2018. 3,785

Note payable to Pepsi Cola Bottling Company of Los Angeles, interest at 10.5%. Once a certificate of completion is issued, the note is payable in net annual installments of principal and interest of \$341 through June, 2026. The certificate of completion cannot be issued until Pepsi has reached a \$26 million investment requirement. 2,987

Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of \$88 through 2013, for housing projects. 548

Total Notes Payable **\$ 10,215**

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

The following is a schedule of annual debt service requirements to maturity as of June 30, 2006:

Principal
Outstanding

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 485	\$ 772	\$ 1,257
2008	520	741	1,261
2009	555	708	1,263
2010	596	671	1,267
2011	643	631	1,274
2012-2016	3,714	2,429	6,143
2017-2021	1,646	1,359	3,005
2022-2026	777	932	1,709
2027-2031	1,279	430	1,709
Total	<u>\$10,215</u>	<u>\$8,673</u>	<u>\$18,888</u>

\$6,055 1999 University Corridor/Sycamore Canyon Merged Project Area, Subordinate Tax Allocation Bonds, series B; \$1,900 serial bonds, 4.5% to 5.5% due in annual installments from \$35 to \$190 through September 1, 2013; \$1,135 term bonds at 5.5% due September 1, 2018; and \$3,020 term bonds at 5.625% due September 1, 2027

5,445

\$20,395 1999 Casa Blanca Project Area, Tax Allocation Bonds, Series A; \$8,925 serial bonds, 3.4% to 4.7% due in annual installments from \$455 to \$780 through August 1, 2014; \$2,565 term bonds at 4.75% due August 1, 2017; \$4,035 term bonds at 4.75% due August 1, 2021; and \$4,870 term bonds at 5.0% due August 1, 2025.

17,425

\$40,435 Downtown/Airport Merged Project Area, 2003 Tax Allocation and Refunding Bonds: \$32,720 serial bonds 2% to 5.25% due in annual installments from \$1,220 to \$1,955 through August 1, 2023; and \$7,715 term bonds at 5.0% due in annual installments from \$195 to \$2,060 through August 2034.

37,960

\$4,550 Arlington Redevelopment Project, 2004 Tax Allocation Bonds, Series A: \$420 term bonds at 3.8% due August 1, 2014; \$615 term bonds at 4.6% due August 1, 2024; and \$3,515 term bonds at 4.7% due August 1, 2034.

4,515

Bonds Payable

Bonds Payable at June 30, 2006, consisted of the following:

Principal
Outstanding

Tax Allocation Bonds

\$17,025 1999 University Corridor/Sycamore Canyon Merged Project Area, Tax Allocation Bonds, Series A; \$6,205 serial bonds, 3.4% to 4.7% due in annual installments from \$40 to \$570 through August 1, 2014; \$4,810 term bonds at 4.75% due August 1, 2021; and \$6,010 term bonds at 5.0% due August 1, 2027

\$15,155

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

	<u>Principal Outstanding</u>		<u>Principal Outstanding</u>
<p>\$2,975 Arlington Redevelopment Project, 2004 Tax Allocation Bonds, Series B: 5.5% due in annual installments from \$85 to \$235 through August 1, 2024.</p>	2,890	<p>\$1,465 California Statewide Communities Development Authority 2005 Taxable Revenue Bonds, Series A (DRA/ERAF Loan Program); 3.87% to 5.01% due in annual installments of \$105 to \$180 through August 1, 2015</p>	<u>1,465</u>
<p>\$24,115 Housing Set-Aside Tax Allocation Bonds; \$17,025 serial bonds 3.0% to 4.625% due in annual installments from \$505 to \$1,165 through August 1, 2025; \$2,425 term bonds at 5.0% due August 1, 2028; and \$4,665 term bonds at 4.85% due August 1, 2034.</p>	<u>23,610</u>	<p>Total</p>	<u>\$1,655</u>
<p>Subtotal</p>	107,000	<p><u>Lease Revenue Bonds</u></p>	
<p>Unamortized bond premium</p>	<u>1,968</u>	<p>\$26,255 2003 Downtown/Airport Project Area, California Tower Project Series A, Tax Exempt Bonds: 2.0% to 5.0% due in annual installments from \$545 to \$2,230 through October 1, 2024.</p>	\$24,375
Total	<u>\$108,968</u>	<p>\$4,810 2003 Downtown/Airport Project Area, California Tower Project Series B, Taxable Bonds: \$310 serial bonds 1.2% to 1.42% through October 1, 2004; \$620 term bonds at 3.090% due October 1, 2008; \$1,110 term bonds at 4.340% due October 1, 2014 and \$2,770 term bonds at 5.480% due October 1, 2024.</p>	<u>4,350</u>
<p><u>Revenue Bonds</u></p>		<p>Subtotal</p>	28,725
<p>\$13,285 1991 Public Financing Authority Revenue Bonds, Series A, Multiple Project Areas: \$1,470 serial bonds, 7.15% to 7.60%, due in annual installments from \$100 to \$145 through February 1, 2003; \$4,175 term bonds, 8.00%, due in annual installments from \$155 to \$450 through February 1, 2018 (portion not refunded).</p>	\$ 190	<p>Unamortized Bond Premium</p>	<u>847</u>
		Total	<u>\$29,572</u>
		Total Bonds Payable	<u>\$ 140,195</u>

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

Annual debt service requirements to maturity for Bonds Payable, as of June 30, 2006, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 3,970	\$ 6,233	\$10,203
2008	4,145	6,102	10,247
2009	4,305	5,961	10,266
2010	4,485	5,807	10,292
2011	4,690	5,628	10,318
2012-2016	26,955	24,985	51,940
2017-2021	33,595	18,136	51,731
2022-2026	37,205	8,833	46,038
2027-2031	13,080	2,557	15,637
2032-2036	4,950	456	5,406
Premium	2,815	-	2,815
Total	<u>\$140,195</u>	<u>\$84,698</u>	<u>\$224,893</u>

	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
Downtown/Airport Project - \$2,500 advance of December 3, 1985, due July 1, 2013.	\$368	\$0	\$368
Downtown/Airport Project - \$340 advance of October 1, 2002, due October 1, 2009.	340	40	380
Magnolia Center Project - \$3,000 advance of March 8, 2005, due March 8, 2010	3,000	89	3,089
Hunter Park/Northside Project - \$135 advance of December 2, 2003, due December 2, 2008	106	6	112
Magnolia Center Project - \$3,500 advance of March 1, 2006, due March 12, 2008	3,500	17	3,517
Hunter Park/Northside Project - \$4,000 advance of October 1, 2005, due October 1, 2010	4,000	89	4,089
University Corridor/Syc Project - \$805 advance of June 1, 2006, due September 1, 2006	805	1	806

Advances from the City of Riverside

All advances from the City accrue interest at 2.95%, the rate earned by the City's pooled investments at June 30, 2006.

A schedule of the advances and related accrued but unpaid interest due to the City at June 30, 2006, follows:

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

Multiple Projects - \$784			
Pension Obligations advance of June 30, 2006, due June 1, 2020 from the following projects:			
Arlington	44	2	46
Casa Blanca	87	5	92
Magnolia Center	26	1	28
Hunter Park/Northside	8	1	8
University Corridor/Sycamore Canyon	202	11	213
Downtown/Airport	<u>377</u>	<u>20</u>	<u>397</u>
Total	<u>\$12,863</u>	<u>\$282</u>	<u>\$13,145</u>

Note 7. Risk Management Self Insurance Program

The Agency participates in a self-insurance program for Workers' Compensation and General Liability coverage, which is administered by the City. The Agency pays an amount to the City representing an estimate of amounts to be paid for reported claims and incurred and unreported claims based upon past experience, modified for current trends and information.

While the ultimate losses incurred through June 30, 2006, are dependent upon future developments, the Agency's management believes that amounts paid are sufficient to cover such losses. Premiums paid by the Agency for the year ended June 30, 2006, were \$24 and were allocated to the project areas. There were no claims settled during fiscal years 2005 and 2006 above the self-insured amounts.

(amounts expressed in thousands)

Citywide information concerning risks, insurance policy limits and deductibles and designation of general fund balance for risks for the year ended June 30, 2006, may be found in the notes of the City's "Comprehensive Annual Financial Report."

Note 8. Employees' Retirement Plans

Agency employees are covered under the City's participation in the State of California's Public Employees Retirement System (CalPERS).

All permanent full-time and selected part-time Agency employees are eligible for participation in CalPERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Employees may retire at age 55 and receive 2.7% of their highest average annual salary for each year of service completed. CalPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance. Employee contributions are 8% and are paid by the Agency. The Agency is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the CalPERS actuaries and actuarial consultants and adopted by the Board of Administration. Contributions made for Agency employees were \$364 for the year ended June 30, 2006.

Citywide information concerning elements of unfunded pension benefit obligation, contributions to CalPERS for the year ended June 30, 2006, and recent trend information may be found in the notes of the City's "Comprehensive Annual Financial Report".

Note 9. Commitments and Litigation

Commitments

The Agency is committed to incur construction, relocation and other redevelopment costs under various Developer Disposition Agreements (DDA's), Owner Participation Agreements (OPA's) and Financial Loan Guaranties related to the implementation of redevelopment plans. The Agency has included approximately \$36,932 in the Fiscal Year 2006/2007 Budget relating to these commitments.

Litigation

The Agency is a defendant in various claims and legal actions arising in the normal course of operations. Management, based in part on the opinion of the Agency's outside legal counsel, does not believe the ultimate liability from such actions and claims will have a material adverse effect on the Agency's financial position or operations.

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006
(amounts expressed in thousands)

Assets	Special Revenue								Totals
	Arlington	Casa Blanca	Eastside	Magnolia Center	Hunter Park/ Northside	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza	Rehabilitation	
Cash and investments	\$757	\$400	\$31	\$249	\$360	\$1,650	\$1,527	\$367	\$5,341
Cash and investments at fiscal agent	0	0	0	0	0	227	0	0	227
Interest receivable	8	4	0	2	3	23	13	4	57
Accounts receivable, net	0	0	0	0	0	0	0	0	0
Rehabilitation loans receivable	687	2,589	0	164	0	3,333	0	51	6,824
Prepaid items	0	0	0	0	0	0	0	0	0
Deposits	0	0	0	0	0	0	0	0	0
Due from other funds	0	0	0	0	0	0	0	0	0
Land and improvements held for resale	0	0	0	0	0	837	0	0	837
Total assets	\$1,452	\$2,993	\$31	\$415	\$363	\$6,070	\$1,540	\$422	\$13,286
Liabilities and fund balances									
Liabilities:									
Accounts payable	\$0	\$0	\$0	\$0	\$0	\$2	\$0	\$15	\$17
Unearned revenues	687	2,589	0	164	0	3,307	0	0	6,747
Due to other funds	0	0	0	0	0	0	0	0	0
Total liabilities	687	2,589	0	164	0	3,309	0	15	6,764
Fund balances:									
Reserved for encumbrances	0	0	0	0	0	1	0	0	1
Reserved for loans receivable	0	0	0	0	0	26	0	51	77
Reserved for prepaid items/deposit	0	0	0	0	0	0	0	0	0
Reserved for land and improvements held for resale	0	0	0	0	0	837	0	0	837
Reserved for debt service	0	0	0	0	0	0	0	0	0
Unreserved, designated for future operations	88	62	0	0	0	1,722	0	0	1,872
Unreserved, undesignated	677	342	31	251	363	175	1,540	356	3,735
Total fund balances	765	404	31	251	363	2,761	1,540	407	6,522
Total liabilities and fund balances	\$1,452	\$2,993	\$31	\$415	\$363	\$6,070	\$1,540	\$422	\$13,286

(continued)

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006
(amounts expressed in thousands)

Debt Service						
Assets	Arlington	Casa Blanca	Eastside	Magnolia Center	Hunter Park/ Northside	Totals
Cash and investments	\$507	\$982	\$180	\$114	\$2	\$1,785
Cash and investments at fiscal agent	819	344	28	179	0	1,370
Interest receivable	20	14	2	11	13	60
Accounts receivable, net	0	0	0	0	0	0
Rehabilitation loans receivable	0	0	0	0	0	0
Prepaid items	0	0	0	0	0	0
Deposits	0	0	0	0	0	0
Due from other funds	0	0	0	0	0	0
Land and improvements held for resale	0	0	0	0	0	0
Total assets	\$1,346	\$1,340	\$210	\$304	\$15	\$3,215
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$0	\$0	\$0	\$0	\$0	\$0
Deferred revenues	0	0	0	0	0	0
Due to other funds	0	0	0	0	0	0
Total liabilities	0	0	0	0	0	0
Fund balances:						
Reserved for encumbrances	0	0	0	0	0	0
Reserved for loans receivable	0	0	0	0	0	0
Reserved for prepaid items	0	0	0	0	0	0
Reserved for land and improvements held for resale	0	0	0	0	0	0
Reserved for debt service	1,346	1,340	210	304	15	3,215
Unreserved, designated for future operations	0	0	0	0	0	0
Unreserved, undesignated	0	0	0	0	0	0
Total fund balances	1,346	1,340	210	304	15	3,215
Total liabilities and fund balances	\$1,346	\$1,340	\$210	\$304	\$15	\$3,215

(continued)

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006
(amounts expressed in thousands)

Capital Projects Funds							
Assets	Arlington	Eastside	Magnolia Center	Hunter Park/ Northside	La Sierra/ Arlanza	Totals	Total Nonmajor Funds
Cash and investments	\$2,405	\$0	\$4,311	\$6,174	\$5,138	\$ 18,028	\$25,154
Cash and investments at fiscal agent	3,158	0	0	0	0	3,158	4,755
Interest receivable	0	0	45	59	0	104	221
Accounts receivable, net	0	0	0	0	0	0	0
Rehabilitation loans receivable	0	0	0	25	0	25	6,849
Prepaid items	0	0	0	0	0	0	0
Deposits	0	0	0	0	0	0	0
Due from other funds	0	0	0	0	4	4	4
Land and improvements held for resale	3,732	0	1,705	0	0	5,437	6,274
Total assets	\$9,295	\$0	\$6,061	\$6,258	\$5,142	\$ 26,756	\$43,257
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$652	\$0	\$353	\$504	\$1,437	\$ 2,946	\$2,963
Unearned revenues	0	0	0	25	0	25	6,772
Due to other funds	0	0	0	0	0	0	0
Total liabilities	652	0	353	529	1,437	2,971	9,735
Fund balances:							
Reserved for encumbrances	203	0	67	453	34	757	758
Reserved for loans receivable	0	0	0	0	0	0	77
Reserved for prepaid items	0	0	0	0	0	0	0
Reserved for land and improvements held for resale	3,732	0	1,705	0	0	5,437	6,274
Reserved for debt service	0	0	0	0	0	0	3,215
Unreserved, designated for future operations	2,527	0	2,862	3,121	522	9,032	10,904
Unreserved, undesignated	2,181	0	1,074	2,155	3,149	8,559	12,294
Total fund balances	8,643	0	5,708	5,729	3,705	23,785	33,522
Total liabilities and fund balances	\$9,295	\$0	\$6,061	\$6,258	\$5,142	\$26,756	\$43,257

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006
(amount expressed in thousands)

	Special Revenue								Totals
	Arlington	Casa Blanca	Eastside	Magnolia Center	Hunter Park/ Northside	University Corridor/ Sycamore Canyon	La Sierra/ Arlanza	Rehabilitation	
Revenues:									
Tax increment	\$685	\$548	\$21	\$372	\$525	\$1,295	\$1,635	\$0	\$5,081
Interest	13	43	0	5	5	54	18	2	140
Intergovernmental	0	0	0	0	0	0	0	0	0
Miscellaneous	150	214	0	0	0	22	0	0	386
Total revenues	848	805	21	377	530	1,371	1,653	2	5,607
Expenditures:									
Current:									
Salaries and administrative	82	108	0	44	61	240	13	0	548
Professional services	2	4	0	3	2	14	0	0	25
Property acquisitions	0	0	0	0	0	180	0	0	180
Relocation costs									
Project improvement	84	78	0	124	0	1,217	0	0	1,503
Pass-through agreement	0	0	0	0	0	0	0	0	0
Debt service:									
Principal	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0
Repayment of advances	0	0	0	0	0	0	0	0	0
Total expenditures	168	190	0	171	63	1,651	13	0	2,256
Excess(deficiency) of revenues over(under) expenditures	680	615	21	206	467	(280)	1,640	2	3,351
Other financing sources(uses):									
Transfers in	0	0	0	0	0	1,200	0	0	1,200
Transfers out	(310)	(754)	(7)	(430)	(400)	(943)	(100)	0	(2,944)
Advances from the City	0	0	0	0	0	0	0	0	0
Loss on sale of assets held for resale	0	0	0	0	0	545	0	0	545
Total other financing sources(uses)	(310)	(754)	(7)	(430)	(400)	802	(100)	0	(1,199)
Net change in fund balances	370	(139)	14	(224)	67	522	1,540	2	2,152
Fund balances, July 1	395	543	17	475	296	2,239	0	405	4,370
Fund balances, June 30	\$765	\$404	\$31	\$251	\$363	\$2,761	\$1,540	\$407	\$6,522

(continued)

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006
(amount expressed in thousands)

	Debt Service					
	Arlington	Casa Blanca	Eastside	Magnolia Center	Hunter Park/ Northside	Totals
Revenues:						
Tax increment	\$2,740	\$2,192	\$85	\$1,486	\$2,103	\$8,606
Interest	62	25	4	24	14	129
Intergovernmental	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total revenues	<u>2,802</u>	<u>2,217</u>	<u>89</u>	<u>1,510</u>	<u>2,117</u>	<u>8,735</u>
Expenditures:						
Current:						
Salaries and administrative	23	23	1	12	16	75
Professional services	3	2	2	0	0	7
Property acquisitions	0	0	0	0	0	0
Relocation costs	0	0	0	0	0	0
Project improvement	0	0	0	0	0	0
Pass-through agreement	0	0	0	0	0	0
Debt service:						
Principal	216	555	11	55	0	837
Interest	595	841	16	129	1	1,582
Repayment of advances	0	0	0	106	120	226
Total expenditures	<u>837</u>	<u>1,421</u>	<u>30</u>	<u>302</u>	<u>137</u>	<u>2,727</u>
Excess of revenues over(under) expenditures	<u>1,965</u>	<u>796</u>	<u>59</u>	<u>1,208</u>	<u>1,980</u>	<u>6,008</u>
Other financing sources(uses):						
Transfers in	310	404	7	180	0	901
Transfers out	(2,330)	(1,188)	0	(1,521)	(2,100)	(7,139)
Advances from the City	0	0	0	106	89	195
Loss on sale of assets held for resale	0	0	0	0	0	0
Total other financing sources(uses)	<u>(2,020)</u>	<u>(784)</u>	<u>7</u>	<u>(1,235)</u>	<u>(2,011)</u>	<u>(6,043)</u>
Net change in fund balances	<u>(55)</u>	<u>12</u>	<u>66</u>	<u>(27)</u>	<u>(31)</u>	<u>(35)</u>
Fund balances, July 1	<u>1,401</u>	<u>1,328</u>	<u>144</u>	<u>331</u>	<u>46</u>	<u>3,250</u>
Fund balances, June 30	<u>\$1,346</u>	<u>\$1,340</u>	<u>\$210</u>	<u>\$304</u>	<u>\$15</u>	<u>\$3,215</u>

(continued)

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006
(amount expressed in thousands)

	Capital Projects Funds					Totals	Total Nonmajor Funds
	Arlington	Eastside	Magnolia Center	Hunter Park/ Northside	La Sierra/ Arlanza		
Revenues:							
Tax increment	\$0	\$0	\$0	\$0	\$0	\$0	\$13,687
Interest	165	0	73	104	0	342	611
Intergovernmental	0	0	0	0	0	0	0
Miscellaneous	10	0	0	0	0	10	396
Total revenues	175	0	73	104	0	352	14,694
Expenditures:							
Current:							
Salaries and administrative	387	0	213	432	1,020	2,052	2,675
Professional services	130	0	6	88	55	279	311
Property acquisitions	6	0	0	0	0	6	186
Relocation costs	735	0	302	0	0	1,037	1,037
Project improvement	422	0	2,720	47	0	3,189	4,692
Pass-through agreement	696	0	327	756	1,734	3,513	3,513
Debt service:							
Principal	0	0	0	0	0	0	837
Interest	0	0	0	0	0	0	1,582
Repayment of advances	0	0	0	0	0	0	226
Total expenditures	2,376	0	3,568	1,323	2,809	10,076	15,059
Excess(deficiency) of revenues over(under) expenditures	(2,201)	0	(3,495)	(1,219)	(2,809)	(9,724)	(365)
Other financing sources(uses):							
Transfers in	3,230	0	1,520	2,100	6,514	13,364	15,465
Transfers out	0	0	0	0	0	0	(10,083)
Advances from the City	0	0	3,500	4,000	0	7,500	7,695
Loss on sale of assets held for resale	0	0	0	0	0	0	545
Total other financing sources(uses)	3,230	0	5,020	6,100	6,514	20,864	13,622
Net change in fund balances	1,029	0	1,525	4,881	3,705	11,140	13,257
Fund balances, July 1	7,614	0	4,183	848	0	12,645	20,265
Fund balances, June 30	8,643	0	5,708	5,729	3,705	23,785	33,522

REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE
(a component unit of the City of Riverside, California)
CALCULATION OF EXCESS SURPLUS IN THE LOW AND MODERATE INCOME HOUSING FUND
June 30, 2006

(in thousands)

Fund Balance, June 30, 2006		\$19,604
Less Unavailable Amounts:		
Encumbrances	\$49	
Rehabilitation loans	77	
Land and improvements held for resale	2,454	
Unspent debt proceeds	12,212	(14,792)
Available Low and Moderate Income Housing Funds		<u>4,812</u>
Limitation (greater of \$1,000 or four years set-aside)		
Set-aside for last four years		
2004-2005	4,248	
2003-2004	3,482	
2002-2003	3,236	
2001-2002	2,972	
		<u>(13,938)</u>
Excess(Deficit) of Available Low and Moderate Income Housing Funds Over(Under) Limitation		<u><u>(\$9,126)</u></u>
Computed Excess Surplus, June 30, 2006		<u><u>\$0</u></u>



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Honorable Mayor and City Council
Redevelopment Agency of the City of Riverside
Riverside, California

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Riverside (the Agency) as of and for the year ended June 30, 2006, which collectively comprise the Redevelopment Agency of the City of Riverside's basic financial statements, and have issued our report thereon dated September 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Comptroller Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on financial statements and not to provide an opinion on the internal



Honorable Mayor and City Council
Redevelopment Agency of the City of Riverside
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control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Finance Committee, City Council and management and is not intended to be, and should not be, used by anyone other than those specified parties.

Mayer Hoffman Melann P.C.

Irvine, California
September 30, 2006

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

THE AUTHORITY INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust, dated as of April 1, 2007 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), providing for the issuance of the Riverside Public Financing Authority 2007 Series C Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Tax-Exempt) (the “Series C Bonds”) and the Riverside Public Financing Authority 2007 Series D Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Taxable) (the “Series D Bonds,” and together with the Series C Bonds, the “Bonds”).

Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

“**Agency Bonds**” means, collectively or, if the context requires, individually (i) the 2007 Series A-1 Agency Bonds and the 2007 Series A-2 Agency Bonds, (ii) the 2007 Series D-1 Agency Bonds and 2007 Series D-2 Agency Bonds, (iii) the 2007 Series E-1 Agency Bonds and 2007 Series E-2 Agency Bonds, (iv) the 2007 Series F-1 Agency Bonds and 2007 Series F-2 Agency Bonds, and (v) the 2007 Series G-1 Agency Bonds and 2007 Series G-2 Agency Bonds.

“**Agency Bonds Indentures**” means the Indentures of Trust, each dated as of April 1, 2007, and each by and between the Agency and the Trustee, providing for the issuance of (i) the 2007 Series A-1 Agency Bonds and the 2007 Series A-2 Agency Bonds, (ii) the 2007 Series D-1 Agency Bonds and the 2007 Series D-2 Agency Bonds, (iii) the 2007 Series E-1 Agency Bonds and the 2007 Series E-2 Agency Bonds, (iv) the 2007 Series F-1 Agency Bonds and the 2007 Series F-2 Agency Bonds, and (v) the 2007 Series G-1 Agency Bonds and the 2007 Series G-2 Agency Bonds, respectively.

“**Bond Year**” means each twelve-month period extending from August 2 in one calendar year to August 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on August 1, 2007.

“**Business Day**” means a day of the year (other than a Saturday or Sunday) on which banks in the State or the State of New York are not required or permitted to be closed, and on which the New York Stock Exchange is open.

“**Closing Date**” means the date of delivery of the Bonds to the Original Purchaser.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a provision of the Code shall be deemed to include the applicable Tax Regulations promulgated with respect to such provision.

“**Continuing Disclosure Agreement**” means that certain Continuing Disclosure Agreement between the Authority and the Dissemination Agent named therein, dated and delivered as of the Closing Date, as it may be amended from time to time in accordance with the terms thereof.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts:

- (a) The principal amount of all Outstanding Serial Bonds coming due and payable by their terms in such period;
- (b) The minimum principal amount of all Outstanding Term Bonds scheduled to be redeemed by operation of mandatory sinking fund deposits in such period, together with any premium thereon; and
- (c) The interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

“Defeasance Obligations” means:

- (a) cash;
- (b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series);
- (c) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities;
- (d) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
- (e) Subject to the written approval of the Insurer, pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P, provided that, if the issue is rated only by S&P (i.e., there is no Moody’s rating), then the pre-refunded municipal bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals; and
- (f) Subject to the written approval of the Insurer, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Rural Economic Community Development Administration (formerly the Farmers Home Administration); (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed Title XI financings of the U.S. Maritime Administration; (vii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means any of the events described under the caption “Events of Default” below.

“Federal Securities” means any of the following which are noncallable and which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

- (a) direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the payment of principal of and interest on which are directly guaranteed by, the United States of America; or

(b) any other obligations approved by the Insurer for purposes of defeasance of the Bonds pursuant to the Indenture.

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

“Insurance Policy” means the financial guaranty insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided herein.

“Insurer” means MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York, and any successor thereto, as issuer of the Insurance Policy.

“Interest Payment Date” means each February 1 and August 1, commencing August 1, 2007, and continuing thereafter so long as any Bonds remain Outstanding.

“Moody’s” means Moody’s Investors Service of New York, New York, and its successors.

“Original Purchaser” means Stone & Youngberg LLC, as the first purchaser of the Bonds.

“Owner” or **“Bond Owner”**, when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Agreement.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment direction from the Authority as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State and constitute Permitted Investments), but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Rural Economic Community Development Administration (formerly Farmers Home Administration); (iii) obligations of the Federal Financing Bank, (iv) Federal Housing Administration debentures; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the Agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association; (iv) obligations of the Resolution Funding Corporation; and (v) consolidated system-wide bonds and notes of the Farm Credit System.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAM or AAm, and a rating by Moody's of Aaa, Aa1 or Aa2 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).

(e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.

(g) Investment and repurchase agreements acceptable to the Insurer.

(h) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1" or "A" by S&P.

(k) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(l) Any other investments permitted in writing by the Insurer.

"Request of the Authority" means a request in writing signed by the Chairman, the Executive Director, the Treasurer, the Secretary or the Assistant Secretary of the Authority (or the written designate of either) or by any other officer of the Authority duly authorized by the Board for that purpose.

"Revenues" means: (a) all amounts payable by the Agency to the Authority or the Trustee pursuant to the Agency Bonds, other than (i) administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee and (ii) amounts payable to the United States of America pursuant to the Agency Bonds Indenture; (b) any proceeds of Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture; (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture; and (d) any other investment income received under the Indenture.

"S&P" means Standard & Poor's Ratings Service, a division of McGraw-Hill, of New York, New York, and its successors.

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

"Series C Bonds" means the \$89,205,000 aggregate principal amount of Riverside Public Financing Authority 2007 Series C Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Tax-Exempt), authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“Series D Bonds” means the \$43,875,000 aggregate principal amount of Riverside Public Financing Authority 2007 Series D Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Taxable), authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“Supplemental Indenture” means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of the Indenture.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Sections 103 and all related provisions of the Code.

“Term Bonds” means the Series C Bonds maturing August 1, 2030 and August 1, 2037 and the Series D Bonds maturing on August 1, 2017 and August 1, 2032.

“Trust Office” means the corporate trust office of the Trustee in Los Angeles, California and such other office maintained by the Trustee for transfer, exchange, registration or payment of Bonds.

“2007 Series A-1 Agency Bonds” means the Redevelopment Agency of the City of Riverside University Corridor/Sycamore Canyon Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A-1, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$9,620,000.

“2007 Series A-2 Agency Bonds” means the Redevelopment Agency of the City of Riverside University Corridor/Sycamore Canyon Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A-2, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$15,380,000.

“2007 Series D-1 Agency Bonds” means the Redevelopment Agency of the City of Riverside Arlington Redevelopment Project Area 2007 Tax Allocation Bonds, Series D-1, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$11,910,000.

“2007 Series D-2 Agency Bonds” means the Redevelopment Agency of the City of Riverside Arlington Redevelopment Project Area 2007 Tax Allocation Bonds, Series D-2, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$7,140,000.

“2007 Series E-1 Agency Bonds” means the Redevelopment Agency of the City of Riverside Hunter Park/Northside Redevelopment Project Area 2007 Tax Allocation Bonds, Series E-1, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$23,500,000.

“2007 Series E-2 Agency Bonds” means the Redevelopment Agency of the City of Riverside Hunter Park/Northside Redevelopment Project Area 2007 Tax Allocation Bonds, Series E-2, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$845,000.

“2007 Series F-1 Agency Bonds” means the Redevelopment Agency of the City of Riverside Magnolia Center Redevelopment Project Area 2007 Tax Allocation Bonds, Series F-1, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$5,070,000.

“2007 Series F-2 Agency Bonds” means the Redevelopment Agency of the City of Riverside Magnolia Center Redevelopment Project Area 2007 Tax Allocation Bonds, Series F-2, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$12,375,000.

“2007 Series G-1 Agency Bonds” means the Redevelopment Agency of the City of Riverside La Sierra/Arlanza Redevelopment Project Area 2007 Tax Allocation Bonds, Series G-1, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$39,105,000.

“2007 Series G-2 Agency Bonds” means the Redevelopment Agency of the City of Riverside La Sierra/Arlanza Redevelopment Project Area 2007 Tax Allocation Bonds, Series G-2, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$8,135,000.

Establishment of Funds and Accounts; Flow of Funds

Bond Purchase Fund. The Trustee shall establish and maintain a separate fund to be known as the “Bond Purchase Fund” in which the Indenture has established a Tax-Exempt Account and a Taxable Account and into which shall be deposited the proceeds of sale of the Bonds pursuant to the Indenture. The Trustee shall deposit and use all amounts in the Bond Purchase Fund on the Closing Date to purchase the Agency Bonds, as follows:

(a) There shall be deposited in the Tax-Exempt Account of the Bond Purchase Fund from the proceeds of the Series C Bonds, which shall be used to the purchase of the 2007 Series A-1 Agency Bonds, the 2007 Series D-1 Agency Bonds, the 2007 Series E-1 Agency Bonds, the 2007 Series F-1 Agency Bonds and the 2007 Series G-1 Agency Bonds.

(b) There shall be deposited in the Taxable Account of the Bond Purchase Fund from the proceeds of the Series D Bonds, which shall be used to the purchase of the 2007 Series A-2 Agency Bonds, the 2007 Series D-2 Agency Bonds, the 2007 Series E-2 Agency Bonds, the 2007 Series F-2 Agency Bonds and the 2007 Series G-2 Agency Bonds.

Costs of Issuance Fund. The Indenture has established a fund to be held by the Trustee known as the “Costs of Issuance Fund” on which there shall be established a Tax-Exempt Proceeds Account and a Taxable Proceeds Account. There shall be deposited in the Tax-Exempt Proceeds Account a portion of the proceeds of the Series A Bonds. There shall be deposited in the Taxable Proceeds Account a portion of the proceeds of the Series B Bonds. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Request of the Authority. On the date which is one hundred eighty (180) days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Agency to be deposited by the Agency into the respective Redevelopment Funds established pursuant to the Agency Bonds Indentures on a pro rata basis based on the initial allocation of the deposit to the Costs of Issuance Fund.

Revenue Fund; Deposit and Application of Revenues. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Revenue Fund” which the Trustee shall establish, maintain and hold in trust. Three (3) Business Days prior to each Interest Payment Date, or as soon thereafter as the Trustee receives payments of debt service on the Agency Bonds, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Interest Account. Not less than three (3) Business Days prior to each Interest Payment Date, or as soon thereafter as the Trustee receives payments of debt service on the Agency Bonds, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on the next succeeding Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on the first day of any Bond Year, to the extent not required to pay any interest then having come due and payable on the Outstanding Bonds, shall be

withdrawn therefrom by the Trustee and transferred to the Agency to be used for any lawful purpose of the Agency.

(b) Principal Account. Not less than three (3) Business Days prior to each Interest Payment Date, or as soon thereafter as the Trustee receives debt service on the Agency Bonds, on which the principal of the Bonds shall be payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, or the redemption price of the Bonds required to be redeemed on such Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Serial Bonds at the maturity thereof, (ii) paying the principal of the Term Bonds upon the mandatory sinking fund redemption thereof or upon the maturity thereof, or (iii) paying the redemption price of Bonds upon the redemption thereof. All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having come due and payable, shall be withdrawn therefrom and transferred to the Agency to be used for any lawful purpose of the Agency.

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed by in a Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established by the Indenture shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments, the Trustee may commingle funds held by it but shall account for each separately. The Trustee may act as principal or agent in the acquisition or disposition of any investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

Provisions Relating to the Municipal Bond Insurance Policy

So long as the Insurance Policy remains in force and effect, the Trustee shall comply with all of the provisions thereof which are required to be complied with to ensure timely payment of the principal of and interest on the Bonds when due. Without limiting the generality of the foregoing, the Trustee shall comply with the following provisions:

(a) In the event that, on the 2nd Business Day, and again on the Business Day, prior to any payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on the 2nd following or following, as the case may be, Business Day, the Trustee shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(b) If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Insurer or its designee.

(c) In addition, if the Trustee has notice that any Bond Owner has been required to disgorge payments of principal or interest on the Bonds to a trustee in bankruptcy or creditors or others under a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bond Owner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(d) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the Bonds as follows:

(i) If and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Trustee shall (A) execute and deliver to U.S. Bank Trust National Association, or its successors under the Insurance Policy (the "Insurance Trustee"), in form satisfactory to the Insurance Trustee, an instrument appointing the Insurer as agent for such Owners in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (B) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Insurance Policy payment from the Insurance Trustee with respect to the claims for interest so assigned, and (C) disburse the same to such respective Owners; and

(ii) If and to the extent of a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (A) execute and deliver to the Insurance Trustee in form satisfactory to the Insurance Trustee an instrument appointing the Insurer as agent for such Owner in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Bonds surrendered to the Insurance Trustee of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Trustee is received), (B) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Insurance Policy payment therefor from the Insurance Trustee, and (C) disburse the same to such Owners.

(e) Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the Authority with respect to such Bonds, and the Insurer shall become the owner of such unpaid Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(f) Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee hereby agree for the benefit of the Insurer that:

(i) They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the Bonds, the Insurer will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the Authority, with interest thereon as provided and solely from the sources stated in this Indenture and the Bonds; and

(ii) They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Bonds to the Owners, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(g) The Authority agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Insurer in connection with (i) the enforcement by the Insurer of the Authority's obligations, or the preservation or defense of any rights of the Insurer, under this Indenture and any other document executed in connection with the issuance of the Bonds, and (ii) any consent, amendment, waiver or other action with respect to this Indenture or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date

incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

(h) The Authority agrees not to use the Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Insurer's prior consent; provided, however, such prohibition on the use of the Insurer's name shall not relate to the use of the Insurer's standard approved form of disclosure in public documents issued in connection with the Bonds to be issued in accordance with the terms of the Indenture; and provided further such prohibition shall not apply to the use of the Insurer's name in order to comply with public notice, public meeting or public reporting requirements.

(i) The Authority will not enter into any agreement and will not consent to or participate in any arrangement under which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds, without the prior written consent of the Insurer.

Rights of the Insurer

For so long as either the Insurance Policy or any of the Surety Bonds (as defined in the Agency Bonds Indentures) is outstanding, notwithstanding anything to the contrary set forth in the Indenture, the Authority agrees as follows:

(a) Notices. Any notice to be given to any party under this Indenture shall also be given to the Insurer at MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504, Attention: Insured Portfolio Management.

(b) Amendments or Supplements. Any amendment or supplement to the Indenture requiring the consent of the Owners of the Bonds shall also require the consent of the Insurer. The Authority agrees to send a copy of any amendment or supplement requiring the consent of the Insurer to S&P. The Authority shall give the Insurer notice of (i) any amendment or supplement made to the Indenture which do not require consent of the Owners of the Bonds, and (ii) the resignation or removal of the Trustee and the appointment of a successor thereto.

(c) Events of Default. Upon the occurrence of an Event of Default under the Indenture, the Insurer shall be deemed the Owner of all Bonds, and shall have all the rights as the Owner of the Bonds as are specified in Article 8 hereof, provided that the Insurer shall not be in default under the Insurance Policy or any of the Surety Bonds. Any acceleration of payments due on the Bonds shall be subject to the consent of the Insurer.

(d) Insurer as Third Party Beneficiary. The Insurer is a third-party beneficiary hereunder and shall have the power to enforce any right, remedy or claim conferred, given or granted under this Indenture.

(e) Subrogation. If principal and/or interest due on the Bonds shall be paid by the Insurer, the Bonds shall remain outstanding under the Indenture for all purposes, and shall not be deemed defeased or otherwise satisfied, or paid by the Authority, and the assignment and pledge of the Revenues and other amounts pledged to the payment of debt service of the Bonds under this Indenture, and all covenants, agreements and other obligations of the Authority to the Owners of the Bonds shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Owners.

(f) Notification. The Trustee shall immediately notify the Insurer if the trustee under the Agency Bonds Indentures notifies the Trustee that amounts required to be deposited by the Agency under specified sections of the Agency Bonds Indenture have not been so deposited on a timely basis.

Investment of Moneys

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed by in a Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it thereunder but shall account for each separately. The Trustee may act as principal or agent in the acquisition or disposition of any investment. The Trustee shall incur no liability for losses arising from any such investments.

Covenants of the Authority

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. This covenant shall not be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Agency Bonds and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall, subject to the provisions of the Indenture at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, books of record and account, prepared in accordance with corporate trust industry standards, in which entries shall be made of all transactions made by the Trustee relating to the proceeds of Bonds, the Revenues, the

Agency Bonds and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, the Agency and the Insurer, during regular business hours with reasonable prior written notice. In addition, the Authority shall, and shall cause the Agency to, transmit their respective annual audited financial statements with respect to the foregoing to the Insurer not later than 210 days following the end of the applicable Fiscal Year. The Authority will permit the Insurer to discuss the affairs, finances and accounts of the Authority or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officials of the Authority.

No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part, except that the Authority may issue refunding bonds payable out of the Revenues that refund the Bonds in part so long as the aggregate debt service payable on the refunding bonds is less than the aggregate debt service on the Bonds refunded.

No Arbitrage. The Authority shall not take, or permit to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Series C Bonds would have caused the Series C Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

Rebate Requirement. The Authority shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investments earnings, if any, to the federal government.

Private Activity Bond Limitation. The Authority shall assure that the proceeds of the Series C Bonds are not so used as to cause the Series C Bonds to satisfy the private business tests of section 141(b) of the Code.

Private Loan Financing Limitation. The Authority shall assure that the proceeds of the Series A Bonds are not so used as to cause the Series A Bonds to satisfy the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

Compliance with the Code. The Authority covenants to take any and all action and to refrain from taking such action, which is necessary in order to comply with the Code or amendments thereto in order to maintain the exclusion from federal gross income, pursuant to Section 103 of the Code, of the interest on the Series C Bonds paid by the Authority and received by the Owners. This covenant shall continue in full force and effect following any defeasance of the Series C Bonds.

Agency Bonds. Subject to the provisions of the Indenture, the Trustee, as assignee of the Authority’s rights, shall promptly collect all amounts due from the Agency pursuant to the Agency Bonds and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations of the Agency thereunder.

Continuing Disclosure. The Authority, on its own behalf and on behalf of the Agency, covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be an Event of Default under the Indenture. However, any Participating Underwriter or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Authority to comply with its obligations.

Amendment of the Indenture

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, with the written consent of the Insurer, but without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; or

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

(c) to amend any provision of the Indenture relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the Series A Bonds under the Code, in the opinion of nationally-recognized bond counsel.

Except as set forth above, the Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Insurer and the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Events of Default

Events of Default Defined. The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same becomes due, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such installment becomes due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Insurer by the Trustee, or to the Authority and the Trustee by the Insurer or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding; provided that such default shall not constitute an Event of Default under the Indenture if the Authority shall, with the consent of the Insurer, commence to cure such default within said thirty (30) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time.

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

Remedies and Rights of Bond Owners. Upon the occurrence of an Event of Default, the Trustee may, with the prior written consent of the Insurer, pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture. If an Event of Default shall have occurred and be continuing and, if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, the Trustee has been indemnified as provided in the Indenture and the Insurer shall have provided its written consent, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners or as may be directed by the Insurer. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners under the Indenture or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture and any other funds held by the Trustee shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture and incurred in and about the performance of its powers and duties under the Indenture, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest, as applicable, to the extent permitted by law at an annual rate of ten percent (10%) per annum provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, as applicable, then such amounts shall be applied in the following order of priority:

(a) first, to the payment of all installments of interest, on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) second, to the payment of principal of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full,

(c) third, to the payment of the redemption price (including principal and interest, premium, if any, accrued to the redemption date) of the Bonds to be redeemed from Revenues derived from the acceleration of the Agency Bonds, on a pro rata basis in the event that the available amounts are insufficient to pay the redemption price of all such Bonds in full, and

(d) fourth, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion with the consent of the Insurer or upon the direction of the Insurer or upon the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding with the consent of the Insurer, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and the Insurer, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if, at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding or the Insurer under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds and the Insurer shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee with the consent of the Insurer for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Bonds issued under the Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or any Bond Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach; provided however, that no such waiver shall occur without the prior written consent of the Insurer. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein.

Bond Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee and Insurer written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, with the consent of the Insurer, shall have made written request upon the Trustee to exercise its rights under the Indenture; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Rights of Insurer. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted under the Indenture to the Bond Owners, or to the Trustee for the benefit of the Bond Owners, including but not limited to rights and remedies which may be exercised pursuant to the Indenture following an event of default and including but not limited to the right to approve all waivers of any events of default. The rights granted to the Insurer under the Indenture shall be deemed terminated and shall not be exercisable by the Insurer during any period during which the Insurer shall be in default under the Insurance Policy.

Discharge of Indenture. If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

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

(ii) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and the Agency Bonds, is fully sufficient to pay such Bonds, including all principal, interest, premium (if any); or

(iii) by complying with the requirements set forth in the Indenture and by irrevocably depositing with the Trustee or any other fiduciary, in trust in an escrow, Defeasance Obligations in such amount as an Independent Certified Public Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and the Agency Bonds, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest, premium (if any) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, all amounts required to be paid to the United States of America as provided in the Indenture and all expenses and costs of the Trustee and amounts due the Insurer. In the event the Authority shall, pursuant to the foregoing provisions, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Authority has determined to pay and discharge in part. In the event the Authority shall, pursuant to the foregoing provisions, pay and discharge all of the Bonds then Outstanding, any funds thereafter held by the Trustee which are not required for said purposes, shall be paid over to the Authority.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal or interest due with respect to the Bonds is paid by the Insurer pursuant to the Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Revenues and other assets under the Indenture and all covenants, agreements and other obligations of the Authority to the Bond Owners so paid shall continue to exist and shall run to the benefit of Insurer, and the Insurer shall be subrogated to the rights of such Bond Owners.

THE AGENCY BOND INDENTURES

The following is a brief summary of certain provisions of the Indenture of Trust, dated as of April 1, 2007 by and between the Agency and the Trustee, providing for the issuance of the Redevelopment Agency of the City of Riverside University Corridor/Sycamore Canyon Merged Redevelopment Project 2007 Tax Allocation Bonds, Series A-1 and Series A-2 (together, the “2007 Series A Agency Bonds”), the Indenture of Trust, dated as of April 1, 2007 by and between the Agency and the Trustee, providing for the issuance of the Redevelopment Agency of the City of Riverside Arlington Redevelopment Project 2007 Tax Allocation Bonds, Series D-1 and Series D-2 (together, the “2007 Series D Agency Bonds”), the Indenture of Trust, dated as of April 1, 2007, by and between the Agency and the Trustee, providing for the issuance of Redevelopment Agency of the City of Riverside Hunter Park/Northside Redevelopment Project Area 2007 Tax Allocation Bonds, Series E-1 and Series E-2 (together, the “2007 Series E Agency Bonds”), the Indenture of Trust, dated as

of April 1, 2007, by and between the Agency, the Trustee, providing for the issuance of Redevelopment Agency of the City of Riverside Magnolia Center Redevelopment Project Area 2007 Tax Allocation Bonds, Series F-1 and Series F-2 (together, the “2007 Series F Agency Bonds”) and the Indenture of Trust dated as of April 1, 2007, by and between the Agency and the Trustee, providing for the issuance of Redevelopment Agency of the City of Riverside La Sierra/Arlanza Redevelopment Project Area 2007 Tax Allocation Bonds, Series G-1 and Series G-2 (together, the “2007 Series G Agency Bonds”). Unless otherwise noted, the use of the term “2007 Agency Bonds” or “Bonds” in this summary refers to either the 2007 Series A Agency Bonds, the 2007 Series D Agency Bonds, the 2007 Series E Agency Bonds, the 2007 Series F Agency Bonds or the 2007 Series G Agency Bonds, as applicable.

Certain provisions of the Agency Bond Indentures are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Agency Bond Indentures.

Definitions

“**Additional Revenues**” means, as the date of calculation, the amount of Tax Revenues which, as shown in a report of an Independent Redevelopment Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increases in the assessed valuation of taxable property in the Project Area due to either (a) construction which has been completed and for which a certificate of occupancy has been issued by the County or other appropriate governmental entity but which is not then reflected on the tax rolls, or (b) transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls. For purposes of this definition, the term “increases in the assessed valuation” means the amount by which the assessed valuation of taxable property in the Project Area is estimated to increase above the assessed valuation of taxable property in the Project Area (as evidenced in the written records of the County) as of the date on which such calculation is made.

“**Annual Debt Service**” means, for each Bond Year, the sum of (a) the interest payable on the Bonds (including any Parity Debt) in such Bond Year, and (b) the principal amount of the Outstanding Bonds (including any Parity Debt) scheduled to be paid in such Bond Year upon the maturity or mandatory sinking account redemption thereof. For purposes of such calculation, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument pursuant to which such Parity Debt is issued. For purposes of such calculation, there shall be excluded debt service payments with respect to the Bonds or any Parity Debt (i) to the extent that amounts due with respect to the Bonds or such Parity Debt are prepaid or otherwise discharged in accordance with the Indenture or the relevant Parity Debt Instrument or (ii) to the extent the proceeds thereof are then deposited in an escrow fund in which amounts are invested in Permitted Investments and from which moneys may not be released to the Agency unless the amount of Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County) plus Additional Revenues at least meets the requirements of the Indenture.

“**Authority Bonds**” means the Riverside Public Financing Authority 2007 Series C Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Agency and La Sierra/Arlanza Redevelopment Project) (Tax-Exempt) and (ii) the Riverside Public Financing Authority 2007 Series D Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Agency and La Sierra/Arlanza Redevelopment Project) (Taxable), issued and at any time Outstanding under the Authority Bonds Indenture.

“**Authority Bonds Indenture**” means the Indenture of Trust, dated as of April 1, 2007, by and between the Authority and U.S. Bank National Association, as trustee, providing for the issuance of the Authority Bonds.

“**Bond Counsel**” means (a) Best Best & Krieger LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“**Bond Year**” means any twelve-month period beginning on August 2 in any year and extending to the next succeeding August 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on August 1, 2007.

“**Bonds**” or “**2007 Agency Bonds**” means, collectively, the 2007 Series A Agency Bonds, the 2007 Series D Agency Bonds, the 2007 Series E Agency Bonds, the 2007 Series F Agency Bonds, the 2007 Series G Agency Bonds and any Parity Debt.

“**Business Day**” means a day of the year (other than a Saturday or Sunday) on which banks in the State or the State of New York are not required or permitted to be closed, and on which the New York Stock Exchange is open.

“**Certificate of the Agency**” means a certificate in writing signed by the Executive Director, any Deputy Executive Director or the Treasurer of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

“**Closing Date**” means the date on which the 2007 Agency Bonds are delivered by the Agency to the Original Purchaser.

“**Continuing Disclosure Agreement**” means that certain Continuing Disclosure Agreement, if any, executed by the Agency and the dissemination agent named therein, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“**Costs of Issuance**” has the meaning ascribed to such term in the Authority Bonds Indenture.

“**Debt Service Fund**” means the fund by that name established and held by the Trustee pursuant to the Agency Bonds Indenture.

“**Defeasance Obligations**” means:

- (a) cash;
- (b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series);
- (c) Direct obligations of the Treasury that have been stripped by the Treasury itself, CATS, TIGRS and similar securities;
- (d) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
- (e) Subject to the written approval of the Insurer, pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P, provided that, if the issue is rated only by S&P (i.e., there is no Moody’s rating), then the pre-refunded municipal bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals; and
- (f) Subject to the written approval of the Insurer, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of

beneficial ownership of the Rural Economic Community Development Administration (formerly the Farmers Home Administration); (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed Title XI financings of the U.S. Maritime Administration; (vii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

“Event of Default” means any of the events described under the caption “Events of Default and Acceleration of Maturities.”

“Federal Securities” means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

“Fiscal Year” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Agency as its official fiscal year period pursuant to a Certificate of the Agency filed with the Trustee.

“Fitch” means Fitch Ratings Group.

“Indenture” or **“Agency Bonds Indenture”** means, collectively, or individually, if the context requires, the Indenture of Trust relating to the 2007 Series A Agency Bonds, the 2007 Series D Agency Bonds, the 2007 Series E Agency Bonds, the 2007 Series F Agency Bonds or the 2007 Series G Agency Bonds, as applicable, by and between the Agency and the Trustee, as amended or supplemented from time to time pursuant to any Supplemental Indenture entered into pursuant to the provisions of the applicable Agency Bonds Indenture.

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

“Independent Fiscal Consultant” means any consultant or firm of such consultants appointed by or acceptable to the Agency and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the financing of redevelopment projects; (b) is in fact independent and not under domination of the Agency; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Independent Redevelopment Consultant” means any consultant or firm of such consultants appointed by the Agency, and who, or each of whom:

- (a) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects;
- (b) is in fact independent and not under the domination of the Agency;
- (c) does not have any substantial interest, direct or indirect, with the Agency, other than as original purchaser of the Bonds or any Parity Debt; and
- (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Insurance Policy” means the financial guaranty insurance policy issued by the Insurer insuring the payment when due of the principal of an interest on the Authority Bonds as provided therein.

“Insurer” means MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York, and any successor thereto, as issuer of the Insurance Policy.

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

“Interest Payment Date” means each February 1 and August 1, commencing August 1, 2007, for so long as any of the Bonds remain unpaid.

“Low and Moderate Income Housing Fund” means the fund of the Agency by that name established pursuant to Section 33334.3 of the Redevelopment Law.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year payable on the Bonds or any Parity Debt in such Bond Year. For purposes of such calculation, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument pursuant to which such Parity Debt is issued. For purposes of such calculation, there shall be excluded debt service payments with respect to the Bonds or any Parity Debt (i) to the extent that amounts due with respect to the Bonds or such Parity Debt are prepaid or otherwise discharged in accordance with the Indenture or the relevant Parity Debt Instrument or (ii) to the extent the proceeds thereof are then deposited in an escrow fund in which amounts are invested in Permitted Investments and from which moneys may not be released to the Agency unless the amount of Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County) plus Additional Revenues at least meets the coverage requirements for the issuance of Parity Debt.

“Moody’s” means Moody’s Investors Service, Inc., its successors and assigns.

“1999 University Corridor/Sycamore Canyon Agency Bonds” means the Agency’s \$17,025,000 aggregate principal amount of Tax Allocation Bonds, 1999 Series A (University Corridor/Sycamore Canyon Merged Redevelopment Project).

“1999 University Corridor/Sycamore Canyon Agency Bonds Indenture” means the Indenture dated as of April 1, 1999, between the Agency and U.S. Bank Trust National Association, as trustee, pursuant to which the 1999 University Corridor/Sycamore Canyon Agency Bonds were issued.

“1999 University Corridor/Sycamore Canyon Subordinate Agency Bonds” means the Agency’s \$6,055,000 aggregate principal amount of Subordinate Tax Allocation Bonds, 1999 Series B (University Corridor/Sycamore Canyon Merged Redevelopment Project).

“1999 University Corridor/Sycamore Canyon Subordinate Agency Bonds Indenture” means the Indenture dated as of April 1, 1999, between the Agency and U.S. Bank Trust National Association, as trustee, pursuant to which the 1999 University Corridor/Sycamore Canyon Subordinate Agency Bonds were issued.

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee in Los Angeles, California, or at such other or additional offices as may be specified by the Trustee in writing to the Agency, provided that for the purposes of maintenance of the Registration Books and presentation of Bonds for transfer, exchange or payment such term shall mean the office of the Trustee at which it conducts its corporate agency business.

“Original Purchaser” means the Authority as original purchaser of the 2007 Agency Bonds.

“Owner” means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Parity Debt” means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency on a parity with the 2007 Bonds pursuant to the applicable Indenture. Parity Debt also includes:

(a) in the case of the 2007 Series A Agency Bonds, the 1999 University Corridor/Sycamore Canyon Agency Bonds.

(b) in the case of the 2007 Series D Agency Bonds, the 2004 Arlington Agency Bonds.

“Parity Debt Instrument” means an resolution, indenture of trust, trust agreement or other instrument authorizing the issuance of any Parity Debt and which otherwise complies with all of the terms and conditions of the Indenture. Parity Debt Instrument also includes:

(a) in the case of the 2007 Series A Agency Bonds, the 1999 University Corridor/Sycamore Canyon Agency Bonds Indenture.

(b) in the case of the 2007 Series D Agency Bonds, the 2004 Arlington Agency Bonds Indenture.

“Pass-Through Agreements” means with respect to the 2007 Series A Agency Bonds, the agreements entered into or approved by the Agency prior to the date of the 2007 Series A Agency Bonds pursuant to prior Section 33401 of the Law with the County of Riverside; the Riverside County Superintendent of Schools; and (with respect to the Sycamore Canyon component area) the Riverside County Flood Control and Water Conservation District.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment direction from the Agency as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State and constitute Permitted Investments), but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Rural Economic Community Development Administration (formerly the Farmers Home Administration); (iii) obligations of the Federal Financing Bank; (iv) Federal Housing Administration debentures; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the Agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association; (iv) obligations of the Resolution Funding Corporation; and (v) consolidated system-wide bonds and notes of the Farm Credit System.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at

least AAAM-G, AAAM or AAM, and a rating by Moody's of Aaa, Aa1 or Aa2 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).

(e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.

(g) Investment and repurchase agreements acceptable to the Insurer.

(h) Commercial paper rated "Prime-1" by Moody's and "A-1" or "A" or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P.

(k) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(l) Any other investments permitted in writing by the Insurer.

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time and (b) the aggregate amount of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan.

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

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

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

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

“Redevelopment Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

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

“Redevelopment Plan” means:

(a) with respect to the 2007 Series A Agency Bonds, the Redevelopment Plan for the Project Area approved by Ordinance Nos. 6382 and 6383 adopted by the City Council of the City on July 8, 1997, together with any further amendments thereof at any time duly authorized pursuant to the Redevelopment Law,

(b) with respect to the 2007 Series D Agency Bonds, the Redevelopment Plan for the Project Area approved by Ordinance No. 4619 and amended by Ordinance Nos. 6193, 6466, 6685, 6908 and 6910, together with any further amendments thereof at any time duly authorized pursuant to the Redevelopment Law,

(c) with respect to the 2007 Series E Agency Bonds the Redevelopment Plan for the Project Area approved by Ordinance No. 6686 adopted by the City Council of the City on June 24, 2003, together with any further amendments thereof at any time duly authorized pursuant to the Redevelopment Law,

(d) with respect to the 2007 Series F Agency Bonds the Redevelopment Plan for the Project Area approved by Ordinance No. 6441 adopted by the City Council of the City on July 14, 1998 and Ordinance No. 6905, together with any further amendments thereof at any time duly authorized pursuant to the Redevelopment Law, and

(e) with respect to the 2007 Series G Agency Bonds the Redevelopment Plan for the Project Area approved by Ordinance No. 6739 adopted by the City Council of the City on July 13, 2004, as amended by Ordinance Nos. 6828 and 6892, together with any further amendments thereof at any time duly authorized pursuant to the Redevelopment Law.

“Redevelopment Project” means the undertaking of the Agency to redevelop the Project Area in accordance with the Redevelopment Plan.

“Request of the Agency” means a request in writing signed by the Executive Director, any Deputy Executive Director or the Treasurer of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

“Reserve Account” means the account by that name established and held by the Trustee pursuant to each Indenture for each applicable Series of Agency Bonds.

“Reserve Requirement” means, with respect to the 2007 Agency Bonds or any Parity Debt, as of any calculation date, the least of (i) ten percent (10%) of the original principal amount of the 2007 Agency Bonds or Parity Debt, as applicable, provided that if the original issue discount of the 2007 Agency Bonds or Parity Debt exceeds 2% of such original principal amount, then initially ten percent (10%) of the original principal amount of, less original issue discount on, the 2007 Agency Bonds or Parity Debt, but excluding from such calculation any proceeds of Parity Debt deposited in an escrow described in the definitions of Annual Debt Service and Maximum Annual Debt Service, (ii) Maximum Annual Debt Service with respect to the 2007 Agency Bonds or Parity Debt, as applicable, or (iii) 125% of average Annual Debt Service on the 2007 Agency Bonds or Parity Debt, as applicable; provided further that the Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture. For purposes of calculating Maximum Annual Debt Service with respect to determining the Reserve Requirement,

variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument. The calculation of the Reserve Requirement may, at the option of the Agency, be made with respect to the 2007 Agency Bonds and all Parity Debt, on a combined basis, as provided in the Indenture, provided that the Trustee shall establish separate subaccounts for the proceeds of the 2007 Agency Bonds and any prior Parity Bonds to enable the Trustee to track the investment of the proceeds of the 2007 Agency Bonds.

In the event proceeds of the Bonds or Parity Debt are deposited in an escrow described in the definitions of Annual Debt Service and Maximum Annual Debt Service, each such time that moneys are released from such escrow, other than to prepay a portion of the Bonds or Parity Debt, an amount of such released moneys shall be deposited in the applicable Reserve Account as is necessary to ensure that the amount on deposit therein at least equals the Reserve Requirement for the Bonds or Parity Debt after such release.

“**S&P**” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc., its successors and assigns.

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

“**Special Fund**” means the fund by that name established and held by the Agency pursuant to the Indenture.

“**State**” means the State of California.

“**Subordinate Debt**” means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency in accordance with the requirements of the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues hereunder for the security of the Bonds. In the case of the 2007 Series A Bonds, Subordinate Debt includes the 1999 Subordinate University Corridor/Sycamore Canyon Bonds.

“**Supplemental Indenture**” means any indenture, agreement or other instrument which amends, supplements or modifies the Indenture and which has been duly entered into by and between the Agency and the Trustee; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“**Surety Bond**” means the debt service reserve surety bond relating to the 2007 Bonds issued by the Insurer.

“**Tax Code**” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“**Tax Revenues**” means, for each Fiscal Year, the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Law in connection with the Project Area (excluding (a) amounts, if any, received by the Agency pursuant to Section 16111 of the Government Code; (b) amounts, other than amounts required to pay principal or interest or other financing charges with respect to bonds or other obligations issued to increase, improve or preserve the supply of low and moderate income housing within or of benefit to the Project Area, deposited by the Agency in the Housing Fund pursuant to Section 33334.2 of the Law, as provided in the Redevelopment Plan and (c) in the case of the 2007 Series A Agency Bonds, and the 2007 Series B Agency Bonds, amounts payable to affected taxing agencies pursuant to the Pass-Through Agreements).

“**Term Bonds**” means, collectively, those 2007 Agency Bonds which are subject to mandatory Sinking Account redemption pursuant to the Indenture.

“**2007 Agency Bonds**” means, collectively, or individually of the context requires, individually (a) the 2007 Series A Agency Bonds, (b) the 2007 Series D Agency Bonds, (c) the 2007 Series E Agency Bonds, (d) the 2007 Series F Agency Bonds, and (e) the 2007 Series G Agency Bonds.

“**2007 Agency Bonds Indenture**” means the Indentures of Trust, each dated as of April 1, 2007, and each by and between the Agency and the Trustee, providing for the issuance of (i) the 2007 Series A-1 Agency Bonds and the 2007 Series A-2 Agency Bonds, (ii) the 2007 Series D-1 Agency Bonds and the 2007 Series D-2 Agency Bonds, (iii) the 2007 Series E-1 Agency Bonds and the 2007 Series E-2 Agency Bonds, (iv) the 2007 Series F-1 Agency Bonds and the 2007 Series F-2 Agency Bonds, and (v) the 2007 Series G-1 Agency Bonds and the 2007 Series G-2 Agency Bonds, respectively.

“**2007 Series A Agency Bonds**” means the 2007 Series A-1 Agency Bonds and the 2007 Series A-2 Agency Bonds.

“**2007 Series A-1 Agency Bonds**” means the Redevelopment Agency of the City of Riverside University Corridor/Sycamore Canyon Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A-1 issued by the Agency in the aggregate principal amount of \$9,620,000.

“**2007 Series A-2 Agency Bonds**” means the Redevelopment Agency of the City of Riverside University Corridor/Sycamore Canyon Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A-2 issued by the Agency in the aggregate principal amount of \$15,380,000.

“**2007 Series D Agency Bonds**” means the 2007 Series D-1 Agency Bonds and the 2007 Series D-2 Agency Bonds.

“**2007 Series D-1 Agency Bonds**” means the Redevelopment Agency of the City of Riverside Arlington Redevelopment Project Area 2007 Tax Allocation Bonds, Series D-1 issued by the Agency in the aggregate principal amount of \$11,910,000.

“**2007 Series D-2 Agency Bonds**” means the Redevelopment Agency of the City of Riverside Arlington Redevelopment Project Area 2007 Tax Allocation Bonds, Series D-2 issued by the Agency in the aggregate principal amount of \$7,140,000.

“**2007 Series E Agency Bonds**” means the 2007 Series E-1 Agency Bonds and the 2007 Series E-2 Agency Bonds.

“**2007 Series E-1 Agency Bonds**” means the Redevelopment Agency of the City of Riverside Hunter Park/Northside Redevelopment Project Area 2007 Tax Allocation Bonds, Series E-1, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$23,500,000.

“**2007 Series E-2 Agency Bonds**” means the Redevelopment Agency of the City of Riverside Hunter Park/Northside Redevelopment Project Area 2007 Tax Allocation Bonds, Series E-2, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$845,000.

“**2007 Series F Agency Bonds**” means the 2007 Series F-1 Agency Bonds and the 2007 Series F-2 Agency Bonds.

“**2007 Series F-1 Agency Bonds**” means the Redevelopment Agency of the City of Riverside Magnolia Redevelopment Project Area 2007 Tax Allocation Bonds, Series F-1, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$5,070,000.

“2007 Series F-2 Agency Bonds” means the Redevelopment Agency of the City of Riverside Magnolia Redevelopment Project Area 2007 Tax Allocation Bonds, Series F-2, issued pursuant to the applicable Agency Bonds Indenture in the initial aggregate principal amount of \$12,375,000.

“2007 Series G Agency Bonds” means the 2007 Series G-1 Agency Bonds and the 2007 Series G-2 Agency Bonds.

“2007 Series G-1 Agency Bonds” means the Redevelopment Agency of the City of Riverside La Sierra/Arlanza Redevelopment Project Area 2007 Tax Allocation Bonds, Series G-1 issued by the Agency in the aggregate principal amount of \$39,105,000.

“2007 Series G-2 Agency Bonds” means the Redevelopment Agency of the City of Riverside La Sierra/Arlanza Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series G-2 issued by the Agency in the aggregate principal amount of \$8,135,000.

“2004 Arlington Agency Bonds” means the \$40,550,000 aggregate principal amount Redevelopment Project 2004 Tax Allocation Bonds Series A (Tax-Exempt) and \$2,975,000 aggregate principal amount Arlington Redevelopment Project 2004 Tax Allocation Bonds Series B (Taxable).

“2004 Arlington Agency Indenture” means the Trust Indenture dated as of July 1, 2004, between the Agency and U.S. Bank National Association, as trustee, pursuant to which the 2004 Arlington Agency Bonds were issued.

Redevelopment Fund

There shall be established within the Redevelopment Project two accounts, the “Tax-Exempt Projects Account” and the “Taxable Projects Account”, which shall be held by the Trustee in trust. The moneys in the Redevelopment Fund shall be used in the manner provided by the Law solely for the purpose of aiding in financing the Redevelopment Project, including, without limitation, the payment of any unpaid Costs of Issuance.

Issuance of Parity Debt

The Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any Parity Debt subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Debt issued under the Indenture:

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the Indenture.

(b) In the case of the 2007 Series A Bonds, the Tax Revenues for each succeeding Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the County or a written report of an Independent Redevelopment Consultant plus any Additional Revenues shall be at least equal to one hundred twenty five percent (125%) of Annual Debt Service on the 2007 Series A Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year.

(c) In the case of the 2007 Series D Bonds and the 2007 Series E Bonds, Tax Revenues for each succeeding Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the County or a written report of an Independent Redevelopment Consultant plus any Additional Revenues shall be at least equal to one hundred thirty percent (130%) of Annual Debt Service on the 2007 Series D Bonds or the 2007 Series E

Bonds, as applicable, and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year.

(d) In the case of the 2007 Series F Bonds, Tax Revenues for each succeeding Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the County or a written report of an Independent Redevelopment Consultant plus any Additional Revenues shall be at least equal to one hundred fifty percent (150%) of Annual Debt Service on the 2007 Series F Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year; provided that at such time as the total assessed value of the top ten taxpayers owning property subject to ad valorem taxes within the Project Area, as a percentage of the incremental value in the Project Area (i.e., the total assessed value less the base year assessed value) is less than 50% of such incremental value for the Project Area, then the amount of Tax Revenues and any Additional Revenues, as provided above, shall be at least equal to one hundred thirty percent (130%) of Annual Debt Service on the 2007 Series F Bonds and any Parity Debt outstanding, as provided above for each applicable succeeding Bond Year.

(e) In the case of the 2007 Series G Bonds, Tax Revenues for each succeeding Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the County or a written report of an Independent Redevelopment Consultant plus any Additional Revenues shall be at least equal to one hundred fifty percent (150%) of Annual Debt Service on the 2007 Series G Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year; provided that at such time as the incremental value in the Project Area (i.e., the total assessed value less the base year assessed value), is at least equal to or greater than the base year assessed value, then the amount of Tax Revenues and any Additional Revenues, as provided above, shall be at least equal to one hundred thirty percent (130%) of Annual Debt Service on the 2007 Series G Bonds and any Parity Debt outstanding, as provided above for each applicable succeeding Bond Year.

(f) The Agency shall deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth subsections (a) and (b) above have been satisfied.

(g) The Agency shall fund a reserve account relating to such Parity Debt in an amount equal to the Reserve Requirement.

(h) With respect to the 2007 Series A Agency Bonds, the requirements of the 1999 University Corridor/Sycamore Canyon Agency Bonds Indenture with respect to parity debt are satisfied if the 1999 University Corridor/Sycamore Canyon Agency Bonds are then outstanding. The 1999 University Corridor/Sycamore Canyon Agency Bonds Indenture requires, among other things, that tax increment revenues be at least equal to 125% of maximum annual debt service and that adjusted tax revenues (as defined therein) be at least equal to 100% of maximum annual debt service.

(i) With respect to the 2007 Series D Agency Bonds, the requirements of the 2004 Arlington Agency Bonds Indenture with respect to parity debt are satisfied if the 2004 Arlington Agency Bonds are then outstanding. The 2004 Arlington Agency Bonds Indenture requires, among other things, that tax increment revenues be at least equal to 125% of maximum annual debt service.

Issuance of Subordinate Debt

The Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency, provided that the issuance or incurrence of such Subordinate Debt shall not cause the Agency to exceed the maximum amount of Tax Revenues permitted within the Plan Limitations.

Validity of Bonds

The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the Redevelopment Project or upon the performance by any person of its obligation with respect to the Redevelopment Project.

Security of Bonds; Equal Security

The 2007 Agency Bonds and all other Parity Debt, shall be secured by a pledge of, security interest in and lien on all of the Tax Revenues and all of the moneys on deposit in the Special Fund. In addition, the 2007 Agency Bonds and any other Parity Debt, shall be secured by 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, the Redemption Account and the Reserve Account. Such pledge, security interest in and lien shall be for the equal security of the Outstanding Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds of the Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the 2007 Agency Bonds.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Agency and the Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

Special Fund; Deposit of Tax Revenues

There was established by the 1999 University Corridor/Sycamore Canyon Agency Bonds Indenture and the 2004 Arlington Agency Bonds Indenture (the "Prior Bonds Indentures"), a Special Fund (the "Prior Special Fund") with respect to each of the 1999 University Corridor/Sycamore Canyon Agency Bonds Indenture and the 2004 Arlington Agency Bonds (the "Prior Bonds"). There is also created in each of the Indentures a Special Fund (the "Special Fund"). The Agency shall transfer all of the Tax Revenues received in any Bond Year ratably to the Prior Special Fund, to the Special Fund, if applicable, and to the special funds established with respect to any additional Parity Debt promptly upon receipt thereof by the Agency, until such time during such Bond Year as the amounts (i) on deposit in the Prior Special Fund, if applicable, equal the aggregate amounts required to be transferred to the Trustee for deposit in such Bond Year pursuant to the Prior Bonds Indenture, if applicable, (ii) on deposit in the Special Fund (taking into account amounts, if any, transferred from the Redevelopment Fund upon the Request of the Agency to pay interest on the Bonds during such Bond Year) equal the aggregate amounts required to be transferred in such Bond Year into the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to the Indenture, and (iii) on deposit in the special fund established with respect to any additional Parity Debt equal the aggregate amounts required to be transferred in such Bond Year pursuant to the applicable Parity Debt Instrument. If the amount of Tax Revenues available in any Bond Year shall be insufficient to deposit the full amount required to be deposited pursuant to subsections (i), (ii) and (iii) of this paragraph, then the Agency shall transfer such Tax Revenues for deposit ratably based on the full amounts required to be so deposited.

Debt Service Fund; Transfer of Amounts to Trustee and Deposits

The Indenture establishes a special trust fund to be known as the "Debt Service Fund", which shall be held by the Trustee in trust. Moneys in the Special Fund shall be transferred by the Agency to the Trustee and transferred by the Trustee in the following amounts, at the following times, and into the following respective special accounts within the Debt Service Fund in the following order of priority:

(a) Interest Account. On or before the fourth (4th) Business Day preceding each date on which interest on the Bonds becomes due and payable, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the fourth (4th) Business Day preceding each date on which principal of the Bonds becomes due and payable at maturity, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Outstanding Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds upon the maturity thereof.

(c) Sinking Account. On or before the fourth (4th) Business Day preceding each date on which any Outstanding Term Bonds become subject to mandatory Sinking Account redemption, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds required subject to mandatory Sinking Account redemption on such date. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Term Bonds as it shall become due and payable upon the mandatory Sinking Account redemption thereof.

(d) Reserve Account. The Reserve Requirement for the 2007 Agency Bonds shall initially be satisfied by the Surety Bond provided under each of the Indentures. The Trustee shall draw on the Surety Bond in accordance with its terms and conditions and the terms and conditions of the Indenture.

In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency shall be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account, the Principal Account and the Sinking Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before four (4) Business Days preceding each February 1 and August 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the Request of the Agency, to the Agency to be applied in accordance with the Redevelopment Law to provide financing for the Redevelopment Project.

The Agency shall, with the prior written consent of the Insurer, have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such Funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Authority Series A Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Agency to be applied in accordance with the Redevelopment Law to provide financing for the Redevelopment Project. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall reasonably be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall reasonably be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this subsection (d). Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall be obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues.

The Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of the Bonds and any Parity Debt in conformity with applicable provisions of the Code to the extent directed by the Agency in writing to the Trustee. Additionally, the Agency may, in its discretion, combine amounts on deposit in the Reserve Account and on deposit in any reserve account relating to any (but not necessarily all) Parity Debt in order to maintain a combined reserve account for the Bonds and any (but not necessarily all) Parity Debt.

In any case where the Reserve Account is funded with a combination of cash and a Qualified Reserve Account Credit Instrument, the Trustee shall deplete all cash balances before drawing on the Qualified Reserve Account Credit Instrument. With regard to replenishment, any available moneys provided by the Agency shall be used first to reinstate the Qualified Reserve Account Credit Instrument and second, to replenish the cash in the Reserve Account. In the event the Qualified Reserve Account Credit Instrument is drawn upon, the Agency shall make payment of interest on amounts advanced under the Qualified Reserve Account Credit Instrument after making any payments pursuant to this subsection.

(e) Redemption Account. On or before the Business Day preceding any date on which Bonds are subject to redemption, other than mandatory Sinking Account redemption of Term Bonds, the Trustee shall withdraw from the Special Fund for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be so redeemed on such date. The Trustee shall also deposit in the Redemption Account any other amounts received by it from the Agency designated by the Agency in writing to be deposited in the Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of Term Bonds.

In the event that the Agency fails to make the deposits required pursuant to (a), (b) or (c) above, the Trustee shall immediately notify U.S. Bank National Association, as trustee for the Authority Bonds.

Investment of Moneys in Funds

Moneys in the Redevelopment Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account shall be invested by the Trustee in Permitted Investments specified in the Request of the Agency (which Request shall be deemed to

include a certification that the specified investment is a Permitted Investment) delivered to the Trustee at least two (2) Business Days in advance of the making of such investments; provided, however, that in the absence of any such direction from the Agency, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (d) of the definition thereof. Moneys in the Special Fund shall be invested by the Agency in any obligations in which the Agency is legally authorized to invest funds within its control.

Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in the Indenture any moneys are required to be transferred by the Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture shall be deposited in the Interest Account; provided, however, that all interest or gain from the investment of amounts in the Redevelopment Fund shall be retained therein, and that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. No Permitted Investment of moneys in the Reserve Account shall have a maturity in excess of five (5) years following the date of its acquisition, except that such restriction shall not apply to any investment agreement approved by the Insurer. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture upon receipt by the Trustee of the Request of the Agency. The Trustee may act as principal or agent in the acquisition or disposition of any investment, may utilize the investment departments of its affiliates to complete each transaction and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture. The Agency acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish to the Agency periodic statements which include detail of all investment transactions made by the Trustee.

Covenants of the Agency

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

Limitation on Additional Indebtedness. The Agency covenants that so long as any of the Bonds remain Outstanding, the Agency shall not issue any bonds, notes or other obligations which are otherwise secured on a basis which is senior to the pledge and lien which secures the Bonds. The Agency covenants that it 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 the 2007 Agency Bonds and Parity Debt, any Subordinate Debt and any obligations entered into pursuant to the terms of the Indenture.

Extension of Payment of Bonds. The Agency shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Outstanding Bonds and of all claims for interest thereon which shall not have been so extended. Nothing in this covenant shall be deemed to limit the right of the Agency to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Payment of Claims. The Agency shall pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the

properties owned by the Agency or upon the Tax Revenues or any part thereof, or upon any funds held by the Trustee pursuant hereto, or which might impair the security of the Bonds. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

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

The Agency will cause to be prepared and delivered to the Trustee and the Insurer annually, 210 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Special Fund and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Trustee shall not be responsible for reviewing such financial statements. The Agency shall furnish a copy of such statements to any Owner upon reasonable request and at the expense of such Owner. In addition, the Agency shall deliver the Agency's annual budget to the Insurer upon the written request of the Insurer.

Protection of Security and Rights of Owners. The Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of any Bonds, such Bonds shall be incontestable by the Agency.

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

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

(b) In the event of an annexation of all or any portion of the Project Area or sub-area thereof by a city, all of the Tax Revenues derived from such portion of the Project Area or sub-area will remain pledged to the payment of debt service on the Bonds and paid to the Agency, and such city shall not be entitled to issue or incur any debt or other obligation payable from tax increment or to receive tax increment revenue until all of the Bonds are discharged in full.

Maintenance of Tax Revenues. The Agency shall comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of

supplemental revenues and other amounts payable by the State) appropriate officials of the State of California. The Agency shall not enter into any agreement with the County or any other governmental unit which would have the effect of reducing the amount of Tax Revenues available to the Agency for payment of the Bonds. The Agency shall not undertake proceedings for amendment of the Redevelopment Plan if such amendment shall result in payments to one of more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless the Agency shall first obtain a written opinion of an Independent Redevelopment Consultant that such payments will not adversely impair the Agency's ability to pay the 2007 Agency Bonds and all Parity Debt. Nothing herein is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such agreement, amendment or supplement which by its term is subordinate to the payment of the 2007 Agency Bonds and all Parity Debt.

Private Activity Bond Limitation. The Agency shall assure that the proceeds of the 2007 Agency Bonds are not so used as to cause the Authority Series A Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

Federal Guarantee Prohibition. The Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Authority Series C Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

No Arbitrage. The Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2007 Agency Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Authority Series C Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

Maintenance of Tax-Exemption. The Agency shall take all actions necessary to assure the exclusion of interest on the Authority Bonds from the gross income of the Owners of the Authority Series C Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date. This covenant shall remain in full force and effect following defeasance of Bonds pursuant to the Indenture.

Rebate Requirement. The Agency shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Authority Series C Bonds.

Plan Limitations; Annual Review of Tax Revenues (Applicable to 2007 Series A Agency Bonds and 2007 Series D Agency Bonds). The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the 2007 Series D Agency Bonds and any Parity Debt when due.

Additionally, the Agency covenants that it will annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Agency under the Plan Limitations, as well as future cumulative Annual Debt Service, payments on any obligations of the Agency payable from tax increment revenues that are senior to the 2007 Series A Agency Bonds or the 2007 Series D Agency Bonds, as applicable, and payments on obligations that are subordinate to the 2007 Series D Agency Bonds, as applicable. If an amount equal to ninety-five (95%) of the amount remaining under the Plan Limitations taking into account both tax increment revenues already received, plus tax increment revenues estimated to be received in the current and the next three fiscal years, (a) falls below the sum of (i) remaining cumulative Annual Debt Service, (ii) payments on obligations of the Agency payable from tax increment revenues that are senior to the 2007 Series A Agency Bonds or the 2007 Series D Agency Bonds, as applicable, and (iii) payments on obligations that are subordinate to the 2007 Series D Agency Bonds or (b) will cause the tax increment cap in a sub-area of the Project Area to meet its cap, the Agency shall adopt a plan approved by an Independent Redevelopment Consultant that demonstrates the Agency's continuing ability to pay debt service on the 2007 Series A Agency Bonds or the 2007 Series D Agency Bonds, as applicable, and Parity Debt. Such

plan may include, among other actions, defeasing or redeeming the 2007 Series A Agency Bonds or the 2007 Series D Agency Bonds, as applicable, or Parity Debt or reducing the amount of tax increment being claimed from one or more sub areas within the Project Area. In the event that the Agency determines to defease or redeem the 2007 Series A Agency Bonds or the 2007 Series D Agency Bonds, as applicable, or Parity Debt, such defeasance shall be accomplished as provided in the Indenture. Further, in the event the Agency elects to defease the 2007 Series A Agency Bonds or the 2007 Series D Agency Bonds, as applicable, or Parity Debt, the Agency shall first notify S&P and Fitch, and such defeasance or redemption shall occur only if the Agency receives confirmation from S&P and Fitch that such defeasance or redemption will not, in and of itself, cause S&P and Fitch to lower the underlying rating then in effect with respect to the 2007 Series A Agency Bonds or the 2007 Series D Agency Bonds, as applicable, and Parity Debt. The Agency shall provide a copy of such plan to the Insurer and S&P and Fitch.

The Trustee shall not be responsible for monitoring or enforcing the requirements of this covenant.

Amendments Without Consent of Owners

The Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, with the consent of the Insurer (except no consent is required with respect to subsection (c) below), but without the consent of any Owners, to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Agency contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Agency provided such addition, limit, or surrender shall not materially adversely effect the interest of the Owners as determined by the Agency and certified to the Trustee; or

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

(c) to provide for the issuance of Parity Debt pursuant to the Indenture, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of the Indenture; or

(d) to amend any provision of the Indenture to assure the exclusion from gross income of interest on the Authority Series A Bonds for federal income tax purposes, in the opinion of Bond Counsel filed with the Agency and the Trustee; or

(e) to comply with the requirements of the provider of a Qualified Reserve Account Credit Instrument.

Amendments With Consent of Owners

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Insurer and the written consents of the Owners of a majority of the principal amount of the Bonds then Outstanding are delivered to the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premium (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Effect of Supplemental Indenture

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

Events of Default and Acceleration of Maturities

Each of the following events shall constitute an Event of Default under the Indenture:

(a) Failure to pay any installment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Failure by the Agency to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Agency by the Trustee or the Insurer; provided, however, if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Agency within such thirty (30) day period and the Agency shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Agency shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

If an Event of Default has occurred and is continuing, the Trustee may, and if requested in writing by the Owners of a majority of the principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) upon receipt of indemnity satisfactory to it from any liability or expense, including payment of the fees and expenses of its counsel and agents, exercise any other remedies available to the Trustee and the Owners in law or at equity.

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

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at

the weighted average interest rate then borne by the Outstanding Bonds, and the fees and expenses of the Trustee, including any fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of a majority of the principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration

All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under the Indenture and the payment of all fees, costs and expenses owing to the Trustee pursuant to the Indenture, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law;

(b) To the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by the Outstanding Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

Power of Trustee to Control Proceedings

In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority of the principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority of the principal amount of the Bonds then Outstanding opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation accompanied, if requested by the Trustee, by indemnity or confirmation of indemnity as described in the Indenture.

Limitation on Owners' Right to Sue

No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority of the principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have

refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared by the Indenture, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions or any other provision of the Indenture.

Remedies Not Exclusive

No remedy herein conferred upon or reserved to the Trustee or Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Redevelopment Law or any other law.

Rights of the Insurer

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies (including the right to require a declaration of acceleration) granted under the Indenture to the Bond Owners, or to the Trustee for the benefit of the Bond Owners, including but not limited to rights and remedies granted pursuant to the Indenture and including but not limited to the right to approve all waivers of any Events of Default. The rights granted to the Insurer under the Indenture shall be deemed terminated and shall not be exercisable by the Insurer during any period during which the Insurer shall be in default under the Insurance Policy.

Discharge of Indenture

If the Agency shall pay and discharge the entire indebtedness on any Bonds in any one or more of the following ways:

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

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

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

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

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Agency under the Indenture with respect to such Bonds shall cease and terminate, except only (A) the obligations of the Agency regarding tax and rebate requirements in the Indenture, (B) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (C) the obligation of the Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and (d) the obligations of the Agency to compensate and indemnify the Trustee pursuant to the Indenture. Notice of such election shall be filed with the Trustee. In the event the Agency shall, pursuant to the foregoing provisions, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such discharge, including without limitation, selection by lot of Bonds of any maturity of the Bonds that the Agency has determined to pay and discharge in part. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Agency.

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APPENDIX E

DTC AND BOOK-ENTRY SYSTEM

The information in this Appendix E concerning The Depository Trust Company (“DTC”), New York, New York, and DTC's book-entry system has been obtained from DTC and the Agency and the Authority takes no responsibility for the completeness or accuracy thereof. The Agency and the Authority cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, 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.

DTC will act as securities depository for the Certificates. The Certificates 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 Certificates, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 85 countries that DTC's participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock

Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

Prepayment notices shall be sent to DTC. If less than all of the Certificates 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.

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

Prepayment proceeds, distributions, and dividend payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by

Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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APPENDIX F

FORM OF OPINIONS OF BOND COUNSEL

April 10, 2007

Riverside Public Financing Authority
Riverside, California

Re: \$89,205,000 Riverside Public Financing Authority 2007 Series C Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Tax-Exempt)

Ladies and Gentlemen:

We have acted as bond counsel to the Riverside Public Financing Authority (the "Authority") in connection with the issuance by the Authority of \$89,205,000 aggregate principal amount of Riverside Public Financing Authority 2007 Series C Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Tax-Exempt) (the "Bonds"), pursuant to provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and an Indenture of Trust, dated as of April 1, 2007 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds have been issued by the Authority, together with the Authority's \$43,875,000 2007 Series D Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Taxable) (the "Series D Taxable Bonds"), to provide funds to purchase ten series of bonds (the "Agency Bonds") of the Redevelopment Agency of the City of Riverside (the "Agency"). The Bonds and the Series D Taxable Bonds are being issued on a parity basis under the Indenture. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with the power to enter into the Indenture, to

perform the agreements on its part contained therein, to issue the Bonds and to purchase the Agency Bonds.

2. The Indenture has been duly approved by the Authority and constitutes the valid and binding special obligation of the Authority enforceable against the Authority in accordance with its terms.

3. The Indenture creates a valid lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds on a parity with the Series D Taxable Bonds, in accordance with the terms of the Indenture, subject to no prior lien granted under the Act.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, 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 sentence are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986 which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Agency Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

April 10, 2007

Riverside Public Financing Authority
Riverside, California

Re: \$43,875,000 Riverside Public Financing Authority 2007 Series D Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Taxable)

Ladies and Gentlemen:

We have acted as bond counsel to the Riverside Public Financing Authority (the "Authority") in connection with the issuance by the Authority of \$43,875,000 aggregate principal amount of Riverside Public Financing Authority 2007 Series D Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Taxable) (the "Bonds"), pursuant to provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and an Indenture of Trust, dated as of April 1, 2007 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds have been issued by the Authority, together with the Authority's \$89,205,000 2007 Series C Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Tax-Exempt) (the "Series C Tax-Exempt Bonds"), to provide funds to purchase ten series of bonds (the "Agency Bonds") of the Redevelopment Agency of the City of Riverside (the "Agency"). The Bonds and the Series C Tax-Exempt Bonds are being issued on a parity basis under the Indenture. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with the power to enter into the Indenture, to perform the agreements on its part contained therein, to issue the Bonds and to purchase the Agency Bonds.

2. The Indenture has been duly approved by the Authority and constitutes the valid and binding special obligation of the Authority enforceable against the Authority in accordance with its terms.

3. The Indenture creates a valid lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds on a parity with the Series C Tax-Exempt Bonds, in accordance with the terms of the Indenture, subject to no prior lien granted under the Act.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

5. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Agency Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE (the "Agency"), on behalf of itself and the Riverside Public Financing Authority, in connection with the execution and delivery of the following bonds:

- (i) By the Authority, the following bonds (collectively, the "Authority Bonds"), which are being executed and delivered pursuant to an Indenture of Trust, dated as of April 1, 2007 (the "Trust Indenture"), by and between U.S. Bank National Association, as trustee (the "Trustee"), and the Authority:
- Series C Bonds: Riverside Public Financing Authority 2007 Series C Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Tax-Exempt)
 - Series D Bonds: Riverside Public Financing Authority 2007 Series D Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Taxable)
- (ii) By the Agency, the following bonds (collectively, the "Agency Bonds"), which are being issued are being issued pursuant to five Indentures of Trust, each dated as of April 1, 2007 (the "Agency Bonds Indentures"), each by and between the Trustee and the Agency:
- 2007 Series A-1 Agency Bonds: University Corridor/Sycamore Canyon Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A-1.
 - 2007 Series A-2 Agency Bonds: University Corridor/Sycamore Canyon Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A-2.
 - 2007 Series D-1 Agency Bonds: Arlington Redevelopment Project Area 2007 Tax Allocation Bonds, Series D-1.
 - 2007 Series D-2 Agency Bonds: Arlington Redevelopment Project Area 2007 Tax Allocation Bonds, Series D-2.
 - 2007 Series E-1 Agency Bonds: Hunter Park/Northside Redevelopment Project Area 2007 Tax Allocation Bonds, Series E-1.

- 2007 Series E-2 Agency Bonds: Hunter Park/Northside Redevelopment Project Area 2007 Tax Allocation Bonds, Series E-2.
- 2007 Series F-1 Agency Bonds: Magnolia Center Redevelopment Project Area 2007 Tax Allocation Bonds, Series F-1.
- 2007 Series F-2 Agency Bonds: Magnolia Center Redevelopment Project Area 2007 Tax Allocation Bonds, Series F-2.

The Agency covenants and agrees, on behalf of itself and the Authority, as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Authority Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"CPO" means the Internet-based filing system currently located at www.DisclosureUSA.org, or such other similar filing system approved by the Securities and Exchange Commission for a similar purpose.

"Dissemination Agent" shall mean U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at www.sec.gov/consumer/nrmsir.htm.

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

"Repository" shall mean each National Repository and each State Repository.

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

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the Agency's fiscal year (which would currently be April 1 based upon the current June 30 end of the Agency's fiscal year), commencing with the report for the 2006-07 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Trustee. Not later than five (5) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency), Participating Underwriter and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Dissemination Agent (if other than the Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency to determine if the Agency is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Agency hereunder.

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall, by written direction, cause the Dissemination Agent to provide to (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A. In lieu of filing the notice with each Repository, the Agency or the Dissemination Agent may file such notice with the CPO.

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

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

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

(d) In lieu of filing the Annual Report with each Repository in accordance with the preceding paragraph (c), the Agency or the Dissemination Agent may file such Annual Report solely with the CPO.

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

(a) Audited Financial Statements of the Agency prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to

Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Authority Bonds:

(i) Principal amount of the Authority Bonds outstanding.

(ii) The Reserve Requirement and the balance in each Reserve Account under the Agency Bonds Indentures as of June 30 of the most recently completed fiscal year.

(iii) Description of issuance by the Agency of any debt payable from or secured by a pledge of Tax Revenues in the Project Areas (as defined in the Official Statement for the Authority Bonds) in the most recently completed fiscal year (including details as to date, amount, term, rating, insurance).

(iv) The assessed value of property in each Project Area for the most recently completed fiscal year in the form of Tables No. 3, 8, 12, 16 and 20 in the Official Statement.

(v) The ten largest local secured property taxpayers in each Project Area in the form of Tables No. 4, 9, 13, 17 and 21 in the Official Statement.

(vi) The coverage ratio provided by Tax Revenues in each Project Area with respect to debt service on the applicable Agency Bonds and any Parity Bonds for the most recently completed fiscal year, in the form of Tables 6, 10, 14, 18 and 22 in the Official Statement.

(vii) The cumulative tax increment allocated to the Agency as of June 30 of the most recently completed fiscal year in the University Corridor/Sycamore Canyon Merged Redevelopment Project and the Arlington Redevelopment Project.

(viii) A description of any payments made by the Agency of the type described in "BOND OWNERS' RISKS - State Budget".

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Agency shall provide such further material 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.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Authority Bonds and the Agency Bonds, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of Certificate holders.
- (viii) Contingent or unscheduled redemption of Authority Bonds.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall, or by written direction cause the Dissemination Agent (if not the Agency) to, promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository with a copy to the Trustee, together with written direction to the Trustee whether or not to notify the Certificate holders of the filing of such notice. In the absence of any such direction, the Trustee shall not send such notice to the Certificate holders. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Authority Bonds pursuant to the Trust Indenture.

In lieu of filing the notice of Listed Event with each Repository in accordance with the preceding paragraph, the Agency or the Dissemination Agent may file such notice of a Listed Event with the CPO.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Authority Bonds. If such termination occurs prior to the final maturity of the Authority Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association.

Any Dissemination Agent may resign by providing thirty days' written notice to the Agency and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Authority Bonds and the Agency Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Authority Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Authority Bonds and the Agency Bonds in the manner provided in the Authority Indenture and the Agency Bonds Indentures for amendments with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Authority Bonds and the Agency Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate the Trustee, at the written direction of any Participating Underwriter or any holder of the Agency Bonds or the Authority Bonds, shall, but only to the extent moneys or other indemnity, satisfactory to the Trustee, has been furnished to the Trustee to hold it harmless from any loss, costs, liability or expense, including fees and expenses of its attorneys and any additional fees of the Trustee or any holder or beneficial owner of the Authority Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to it by the Agency and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Certificate holders or any other party. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Authority Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Authority Bonds, and shall create no rights in any other person or entity.

Date: April 10, 2007

REDEVELOPMENT AGENCY OF THE
CITY OF RIVERSIDE

By: _____
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: REDEVELOPMENT AGENCY OF THE CITY OF RIVERSIDE

Name of Issue: Riverside Public Financing Authority 2007 Series C Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Tax-Exempt)

Riverside Public Financing Authority 2007 Series D Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Taxable)

Date of Issuance: April 10, 2007

NOTICE IS HEREBY GIVEN to [(i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository] [the CPO and the Municipal Securities Rulemaking Board] that the Agency has not provided an Annual Report with respect to the above-named Authority Bonds as required by that certain Continuing Disclosure Certificate dated April 10, 2007 relating to the above-referenced bonds. The Agency anticipates that the Annual Report will be filed by _____.

Dated:

REDEVELOPMENT AGENCY OF THE
CITY OF RIVERSIDE

By _____
Authorized Representative

cc: Trustee

APPENDIX H
SPECIMEN BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of a such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

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APPENDIX I

AGENCY BONDS DEBT SERVICE SCHEDULES

Bond Year	Series A-1 Bonds		Series A-1 Bonds	Series A-2 Bonds		Series A-2 Bonds	Series A-1/A-2
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Total Debt Service
2007	-	\$146,735.83	\$146,735.83	-	\$278,371.66	\$278,371.66	\$425,107.49
2008	\$45,000.00	475,900.00	520,900.00	\$15,000.00	902,827.00	917,827.00	1,438,727.00
2009	45,000.00	474,100.00	519,100.00	15,000.00	902,041.00	917,041.00	1,436,141.00
2010	45,000.00	472,300.00	517,300.00	5,000.00	901,255.00	906,255.00	1,423,555.00
2011	50,000.00	470,500.00	520,500.00	5,000.00	900,993.00	905,993.00	1,426,493.00
2012	50,000.00	468,750.00	518,750.00	5,000.00	900,731.00	905,731.00	1,424,481.00
2013	50,000.00	466,750.00	516,750.00	5,000.00	900,469.00	905,469.00	1,422,219.00
2014	55,000.00	464,750.00	519,750.00	-	900,207.00	900,207.00	1,419,957.00
2015	60,000.00	462,550.00	522,550.00	-	900,207.00	900,207.00	1,422,757.00
2016	55,000.00	460,150.00	515,150.00	-	900,207.00	900,207.00	1,415,357.00
2017	60,000.00	457,400.00	517,400.00	420,000.00	900,207.00	1,320,207.00	1,837,607.00
2018	65,000.00	454,400.00	519,400.00	435,000.00	878,199.00	1,313,199.00	1,832,599.00
2019	65,000.00	451,150.00	516,150.00	455,000.00	852,577.50	1,307,577.50	1,823,727.50
2020	70,000.00	447,900.00	517,900.00	495,000.00	825,778.00	1,320,778.00	1,838,678.00
2021	65,000.00	444,400.00	509,400.00	460,000.00	796,622.50	1,256,622.50	1,766,022.50
2022	70,000.00	441,150.00	511,150.00	490,000.00	769,528.50	1,259,528.50	1,770,678.50
2023	75,000.00	437,650.00	512,650.00	520,000.00	740,667.50	1,260,667.50	1,773,317.50
2024	75,000.00	433,900.00	508,900.00	550,000.00	710,039.50	1,260,039.50	1,768,939.50
2025	80,000.00	430,150.00	510,150.00	480,000.00	677,644.50	1,157,644.50	1,667,794.50
2026	85,000.00	426,150.00	511,150.00	500,000.00	649,372.50	1,149,372.50	1,660,522.50
2027	85,000.00	422,325.00	507,325.00	545,000.00	619,922.50	1,164,922.50	1,672,247.50
2028	-	418,500.00	418,500.00	1,925,000.00	587,822.00	2,512,822.00	2,931,322.00
2029	-	418,500.00	418,500.00	2,040,000.00	474,439.50	2,514,439.50	2,932,939.50
2030	-	418,500.00	418,500.00	2,160,000.00	354,283.50	2,514,283.50	2,932,783.50
2031	20,000.00	418,500.00	438,500.00	1,870,000.00	227,059.50	2,097,059.50	2,535,559.50
2032	15,000.00	417,500.00	432,500.00	1,985,000.00	116,916.50	2,101,916.50	2,534,416.50
2033	2,115,000.00	416,750.00	2,531,750.00	-	-	-	2,531,750.00
2034	2,280,000.00	311,000.00	2,591,000.00	-	-	-	2,591,000.00
2035	2,395,000.00	197,000.00	2,592,000.00	-	-	-	2,592,000.00
2036	1,545,000.00	77,250.00	1,622,250.00	-	-	-	1,622,250.00
Total	\$9,620,000.00	\$12,302,560.83	\$21,922,560.83	\$15,380,000.00	\$18,568,388.66	\$33,948,388.66	\$55,870,949.49

Bond Year	Series D-1 Bonds		Series D-1 Bonds	Series D-2 Bonds		Series D-2 Bonds	Series D-1/D-2
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Total Debt Service
2007	-	\$178,347.71	\$178,347.71	-	\$123,224.95	\$123,224.95	\$301,572.66
2008	-	578,425.00	578,425.00	\$250,000.00	399,648.50	649,648.50	1,228,073.50
2009	-	578,425.00	578,425.00	260,000.00	386,548.50	646,548.50	1,224,973.50
2010	-	578,425.00	578,425.00	280,000.00	372,924.50	652,924.50	1,231,349.50
2011	-	578,425.00	578,425.00	295,000.00	358,252.50	653,252.50	1,231,677.50
2012	-	578,425.00	578,425.00	310,000.00	342,794.50	652,794.50	1,231,219.50
2013	-	578,425.00	578,425.00	325,000.00	326,550.50	651,550.50	1,229,975.50
2014	-	578,425.00	578,425.00	345,000.00	309,520.50	654,520.50	1,232,945.50
2015	-	578,425.00	578,425.00	365,000.00	291,442.50	656,442.50	1,234,867.50
2016	-	578,425.00	578,425.00	380,000.00	272,316.50	652,316.50	1,230,741.50
2017	-	578,425.00	578,425.00	405,000.00	252,404.50	657,404.50	1,235,829.50
2018	-	578,425.00	578,425.00	420,000.00	231,182.50	651,182.50	1,229,607.50
2019	-	578,425.00	578,425.00	445,000.00	206,444.50	651,444.50	1,229,869.50
2020	-	578,425.00	578,425.00	475,000.00	180,234.00	655,234.00	1,233,659.00
2021	-	578,425.00	578,425.00	500,000.00	152,256.50	652,256.50	1,230,681.50
2022	-	578,425.00	578,425.00	530,000.00	122,806.50	652,806.50	1,231,231.50
2023	-	578,425.00	578,425.00	560,000.00	91,589.50	651,589.50	1,230,014.50
2024	-	578,425.00	578,425.00	595,000.00	58,605.50	653,605.50	1,232,030.50
2025	\$630,000.00	578,425.00	1,208,425.00	-	23,560.00	23,560.00	1,231,985.00
2026	265,000.00	546,925.00	811,925.00	400,000.00	23,560.00	423,560.00	1,235,485.00
2027	700,000.00	535,000.00	1,235,000.00	-	-	-	1,235,000.00
2028	735,000.00	503,500.00	1,238,500.00	-	-	-	1,238,500.00
2029	840,000.00	470,425.00	1,310,425.00	-	-	-	1,310,425.00
2030	875,000.00	432,625.00	1,307,625.00	-	-	-	1,307,625.00
2031	915,000.00	393,250.00	1,308,250.00	-	-	-	1,308,250.00
2032	830,000.00	347,500.00	1,177,500.00	-	-	-	1,177,500.00
2033	870,000.00	306,000.00	1,176,000.00	-	-	-	1,176,000.00
2034	915,000.00	262,500.00	1,177,500.00	-	-	-	1,177,500.00
2035	1,375,000.00	216,750.00	1,591,750.00	-	-	-	1,591,750.00
2036	1,445,000.00	148,000.00	1,593,000.00	-	-	-	1,593,000.00
2037	1,515,000.00	75,750.00	1,590,750.00	-	-	-	1,590,750.00
Total	\$11,910,000.00	\$14,828,222.71	\$26,738,222.71	\$7,140,000.00	\$4,525,866.95	\$11,665,866.95	\$38,404,089.66

Bond Year	Series E-1 Bonds			Series E-2 Bonds		Series E-2 Bonds Total Debt Service	Series E-1/E-2 Total Debt Service
	Series E-1 Bonds Principal	Series E-1 Bonds Interest	Series E-1 Bonds Total Debt Service	Series E-2 Bonds Principal	Series E-2 Bonds Interest		
2007	-	\$345,448.96	\$345,448.96	-	\$13,652.38	\$13,652.38	\$359,101.34
2008	-	1,120,375.00	1,120,375.00	\$390,000.00	44,278.00	434,278.00	1,554,653.00
2009	-	1,120,375.00	1,120,375.00	410,000.00	23,842.00	433,842.00	1,554,217.00
2010	\$385,000.00	1,120,375.00	1,505,375.00	45,000.00	2,358.00	47,358.00	1,552,733.00
2011	450,000.00	1,104,975.00	1,554,975.00	-	-	-	1,554,975.00
2012	465,000.00	1,089,225.00	1,554,225.00	-	-	-	1,554,225.00
2013	485,000.00	1,070,625.00	1,555,625.00	-	-	-	1,555,625.00
2014	505,000.00	1,051,225.00	1,556,225.00	-	-	-	1,556,225.00
2015	525,000.00	1,031,025.00	1,556,025.00	-	-	-	1,556,025.00
2016	545,000.00	1,010,025.00	1,555,025.00	-	-	-	1,555,025.00
2017	570,000.00	982,775.00	1,552,775.00	-	-	-	1,552,775.00
2018	600,000.00	954,275.00	1,554,275.00	-	-	-	1,554,275.00
2019	630,000.00	924,275.00	1,554,275.00	-	-	-	1,554,275.00
2020	660,000.00	892,775.00	1,552,775.00	-	-	-	1,552,775.00
2021	695,000.00	859,775.00	1,554,775.00	-	-	-	1,554,775.00
2022	730,000.00	825,025.00	1,555,025.00	-	-	-	1,555,025.00
2023	765,000.00	788,525.00	1,553,525.00	-	-	-	1,553,525.00
2024	805,000.00	750,275.00	1,555,275.00	-	-	-	1,555,275.00
2025	845,000.00	710,025.00	1,555,025.00	-	-	-	1,555,025.00
2026	885,000.00	667,775.00	1,552,775.00	-	-	-	1,552,775.00
2027	925,000.00	627,950.00	1,552,950.00	-	-	-	1,552,950.00
2028	970,000.00	586,325.00	1,556,325.00	-	-	-	1,556,325.00
2029	1,010,000.00	542,675.00	1,552,675.00	-	-	-	1,552,675.00
2030	1,055,000.00	497,225.00	1,552,225.00	-	-	-	1,552,225.00
2031	1,105,000.00	449,750.00	1,554,750.00	-	-	-	1,554,750.00
2032	1,160,000.00	394,500.00	1,554,500.00	-	-	-	1,554,500.00
2033	1,220,000.00	336,500.00	1,556,500.00	-	-	-	1,556,500.00
2034	1,280,000.00	275,500.00	1,555,500.00	-	-	-	1,555,500.00
2035	1,340,000.00	211,500.00	1,551,500.00	-	-	-	1,551,500.00
2036	1,410,000.00	144,500.00	1,554,500.00	-	-	-	1,554,500.00
2037	1,480,000.00	74,000.00	1,554,000.00	-	-	-	1,554,000.00
Total	\$23,500,000.00	\$22,559,598.96	\$46,059,598.96	\$845,000.00	\$84,130.38	\$929,130.38	\$46,988,729.34

Bond Year	Series F-1 Bonds			Series F-2 Bonds		Series F-1/F-2 Total Debt Service	
	Series F-1 Bonds Principal	Series F-1 Bonds Interest	Total Debt Service	Series F-2 Bonds Principal	Series F-2 Bonds Interest		
2007	-	\$78,000.63	\$78,000.63	-	\$218,577.50	\$296,578.13	
2008	\$5,000.00	252,975.00	257,975.00	\$240,000.00	708,900.00	1,206,875.00	
2009	5,000.00	252,775.00	257,775.00	255,000.00	696,324.00	1,209,099.00	
2010	-	252,575.00	252,575.00	270,000.00	682,962.00	1,205,537.00	
2011	5,000.00	252,575.00	257,575.00	280,000.00	668,814.00	1,206,389.00	
2012	5,000.00	252,400.00	257,400.00	295,000.00	654,142.00	1,206,542.00	
2013	5,000.00	252,200.00	257,200.00	310,000.00	638,684.00	1,205,884.00	
2014	-	252,000.00	252,000.00	330,000.00	622,440.00	1,204,440.00	
2015	5,000.00	252,000.00	257,000.00	345,000.00	605,148.00	1,207,148.00	
2016	5,000.00	251,800.00	256,800.00	365,000.00	587,070.00	1,208,870.00	
2017	-	251,550.00	251,550.00	385,000.00	567,944.00	1,204,494.00	
2018	-	251,550.00	251,550.00	405,000.00	547,770.00	1,204,320.00	
2019	5,000.00	251,550.00	256,550.00	425,000.00	523,915.50	1,205,465.50	
2020	5,000.00	251,300.00	256,300.00	450,000.00	498,883.00	1,205,183.00	
2021	5,000.00	251,050.00	256,050.00	480,000.00	472,378.00	1,208,428.00	
2022	5,000.00	250,800.00	255,800.00	505,000.00	444,106.00	1,204,906.00	
2023	5,000.00	250,550.00	255,550.00	535,000.00	414,361.50	1,204,911.50	
2024	5,000.00	250,300.00	255,300.00	570,000.00	382,850.00	1,208,150.00	
2025	5,000.00	250,050.00	255,050.00	600,000.00	349,277.00	1,204,327.00	
2026	10,000.00	249,800.00	259,800.00	635,000.00	313,937.00	1,208,737.00	
2027	5,000.00	249,350.00	254,350.00	675,000.00	276,535.50	1,205,885.50	
2028	5,000.00	249,125.00	254,125.00	715,000.00	236,778.00	1,205,903.00	
2029	10,000.00	248,900.00	258,900.00	755,000.00	194,664.50	1,208,564.50	
2030	10,000.00	248,450.00	258,450.00	800,000.00	150,195.00	1,208,645.00	
2031	-	248,000.00	248,000.00	850,000.00	103,075.00	1,201,075.00	
2032	5,000.00	248,000.00	253,000.00	900,000.00	53,010.00	1,206,010.00	
2033	960,000.00	247,750.00	1,207,750.00	-	-	1,207,750.00	
2034	1,005,000.00	199,750.00	1,204,750.00	-	-	1,204,750.00	
2035	1,055,000.00	149,500.00	1,204,500.00	-	-	1,204,500.00	
2036	1,110,000.00	96,750.00	1,206,750.00	-	-	1,206,750.00	
2037	825,000.00	41,250.00	866,250.00	-	-	866,250.00	
Total	\$5,070,000.00	\$7,084,625.63	\$12,154,625.63	\$12,375,000.00	\$11,612,741.50	\$23,987,741.50	\$36,142,367.13

Bond Year	Series G-1 Bonds			Series G-2 Bonds		Series G-1/G-2	
	Series G-1 Bonds Principal	Series G-1 Bonds Interest	Series G-1 Bonds Total Debt Service	Series G-2 Bonds Principal	Series G-2 Bonds Interest	Series G-2 Bonds Total Debt Service	Series G-1/G-2 Total Debt Service
2007	-	\$588,246.04	\$588,246.04	-	\$131,434.48	\$131,434.48	\$719,680.52
2008	-	1,907,825.00	1,907,825.00	\$705,000.00	426,274.00	1,131,274.00	3,039,099.00
2009	-	1,907,825.00	1,907,825.00	740,000.00	389,332.00	1,129,332.00	3,037,157.00
2010	-	1,907,825.00	1,907,825.00	785,000.00	350,556.00	1,135,556.00	3,043,381.00
2011	-	1,907,825.00	1,907,825.00	820,000.00	309,422.00	1,129,422.00	3,037,247.00
2012	-	1,907,825.00	1,907,825.00	865,000.00	266,454.00	1,131,454.00	3,039,279.00
2013	-	1,907,825.00	1,907,825.00	910,000.00	221,128.00	1,131,128.00	3,038,953.00
2014	-	1,907,825.00	1,907,825.00	960,000.00	173,444.00	1,133,444.00	3,041,269.00
2015	-	1,907,825.00	1,907,825.00	1,010,000.00	123,140.00	1,133,140.00	3,040,965.00
2016	-	1,907,825.00	1,907,825.00	1,060,000.00	70,216.00	1,130,216.00	3,038,041.00
2017	\$840,000.00	1,907,825.00	2,747,825.00	280,000.00	14,672.00	294,672.00	3,042,497.00
2018	1,170,000.00	1,865,825.00	3,035,825.00	-	-	-	3,035,825.00
2019	1,230,000.00	1,807,325.00	3,037,325.00	-	-	-	3,037,325.00
2020	1,295,000.00	1,745,825.00	3,040,825.00	-	-	-	3,040,825.00
2021	1,360,000.00	1,681,075.00	3,041,075.00	-	-	-	3,041,075.00
2022	1,425,000.00	1,613,075.00	3,038,075.00	-	-	-	3,038,075.00
2023	1,495,000.00	1,541,825.00	3,036,825.00	-	-	-	3,036,825.00
2024	1,570,000.00	1,467,075.00	3,037,075.00	-	-	-	3,037,075.00
2025	1,650,000.00	1,388,575.00	3,038,575.00	-	-	-	3,038,575.00
2026	1,735,000.00	1,306,075.00	3,041,075.00	-	-	-	3,041,075.00
2027	1,810,000.00	1,228,000.00	3,038,000.00	-	-	-	3,038,000.00
2028	1,895,000.00	1,146,550.00	3,041,550.00	-	-	-	3,041,550.00
2029	1,975,000.00	1,061,275.00	3,036,275.00	-	-	-	3,036,275.00
2030	2,070,000.00	972,400.00	3,042,400.00	-	-	-	3,042,400.00
2031	2,160,000.00	879,250.00	3,039,250.00	-	-	-	3,039,250.00
2032	2,265,000.00	771,250.00	3,036,250.00	-	-	-	3,036,250.00
2033	2,385,000.00	658,000.00	3,043,000.00	-	-	-	3,043,000.00
2034	2,500,000.00	538,750.00	3,038,750.00	-	-	-	3,038,750.00
2035	2,625,000.00	413,750.00	3,038,750.00	-	-	-	3,038,750.00
2036	2,755,000.00	282,500.00	3,037,500.00	-	-	-	3,037,500.00
2037	2,895,000.00	144,750.00	3,039,750.00	-	-	-	3,039,750.00
Total	\$39,105,000.00	\$42,179,646.04	\$81,284,646.04	\$8,135,000.00	\$2,476,072.48	\$10,611,072.48	\$91,895,718.52

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