

**RESOLUTION NO. OB 17(14)**

**A RESOLUTION OF THE OVERSIGHT BOARD  
TO THE SUCCESSOR AGENCY OF THE DISSOLVED LOMPOC  
REDEVELOPMENT AGENCY APPROVING A COOPERATION  
AGREEMENT FOR EXPENDITURE OF BOND FUNDS AND  
ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS)  
PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177  
FOR THE SIX-MONTH FISCAL PERIOD COVERING  
JULY 1, 2014 THROUGH DECEMBER 31, 2014**

**WHEREAS**, on December 29, 2011, the California Supreme Court delivered its decision in *California Redevelopment Association v. Matosantos*, finding ABX1 26 (the "Dissolution Act") largely constitutional; and

**WHEREAS**, under the Dissolution Act and the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, all California redevelopment agencies, including the Lompoc Redevelopment Agency (the "former RDA"), were dissolved on February 1, 2012; and

**WHEREAS**, under the Dissolution Act, the City of Lompoc ("City") serves as the successor agency to the former RDA (the "Successor Agency"), subject to all limitations, conditions and qualifications as provided in the Dissolution Act; and

**WHEREAS**, pursuant to Health and Safety Code Section 34180(h), any agreement between the Successor Agency and the City of Lompoc must be approved by the Oversight Board; and

**WHEREAS**, pursuant to Health and Safety Code Section 34177(1), before each six-month fiscal period, the Successor Agency is required to adopt a draft Recognized Obligation Payment Schedule ("ROPS") that lists all of the obligations that are "enforceable obligations" pursuant to Health & Safety Code Section 34177, and which identifies a source of payment for each obligation from among (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) the administrative cost allowance, (v) revenues from rents, concessions, interest earnings, and asset sales, and (vi) the Redevelopment Property Tax Trust Fund established by the County Auditor-Controller to the extent no other source of funding is available or payment from property tax is contractually or statutorily required; and

**WHEREAS**, the draft ROPS must be submitted to and approved by the Oversight Board established to review Successor Agency actions, posted on the Successor Agency's website, and transmitted to the Santa Barbara County Auditor-Controller, the State Controller and the State Department of Finance; and

**WHEREAS**, pursuant to the Dissolution Act, the duly-constituted Oversight Board to the Successor Agency met at a duly-noticed public meeting on February 28, 2014 to review the ROPS. The Oversight Board considered obligations listed on the ROPS for the period covering July 1, 2014 through December 31, 2014, including the administrative budget

presented, and considered approval of the ROPS for the six-month fiscal period presented; and

**WHEREAS**, the Successor Agency has authorized entering into a Cooperation Agreement for Expenditure of Bond Funds (the "Agreement") on the terms set forth in the Agreement attached hereto as Exhibit B; and

**WHEREAS**, the Agreement is for the purpose of transferring to the City unexpended redevelopment bond proceeds held by the Successor Agency to be expended by the City in a manner consistent with applicable bond covenants and only after any and all other legal requirements have been met; and

**WHEREAS**, pursuant to Health & Safety Code Section 34180(h) the Successor Agency has submitted the Agreement to the Oversight Board and requested its approval to enter into the Agreement prior to executing it; and

**WHEREAS**, pursuant to Health & Safety Code Section 34181 the Oversight Board directs the Successor Agency to immediately take any action as required under the Dissolution Act to implement the decisions of the Oversight Board as set forth in the ROPS.

**NOW, THEREFORE**, the Oversight Board, formed pursuant to Health & Safety Code Section 34179 to oversee the Successor Agency does hereby resolve, find and determine as follows:

**Section 1.** The Recitals set forth above are true and correct, and are incorporated herein by reference.

**Section 2.** The ROPS attached hereto as Exhibit A is hereby approved.

**Section 3.** The Successor Agency is hereby permitted to enter into the Cooperation Agreement for Expenditure of Bond Proceeds with the City of Lompoc in the form attached hereto as Exhibit B.

**Section 4.** The Executive Director of the Successor Agency or designee is authorized and directed to take all actions necessary to implement this Resolution, including without limitation, the submittal of the approved ROPS to the County Auditor-Controller, the State Department of Finance and the State Controller, the posting of this Resolution and the ROPS on the Successor Agency's website, and execution and performance of the Cooperation Agreement for Expenditure of Bond Proceeds.

**Section 5.** The Finance Director is authorized to incorporate the items on the ROPS into the 2014-15 operating budget as may be required.

**Section 6.** Pursuant to Health & Safety Code Section 34181, subject to the approval of the Department of Finance, the Oversight Board directs the Successor Agency to immediately take any action as required under the Dissolution Act to implement this Resolution and the decisions of the Oversight Board as set forth in the ROPS.

**Section 7.** The provisions of this Resolution are severable and if any provision, clause, sentence, word or part thereof is held illegal, invalid, unconstitutional, or inapplicable to any person or circumstances, such illegality, invalidity, unconstitutionality, or inapplicability shall not affect or impair any of the remaining provisions, clauses, sentences, sections, words or parts thereof of the Resolution or their applicability to other persons or circumstances.

**Section 8.** The Executive Director of the Successor Agency and the Finance Director, and their designees, are authorized and directed to take such actions as necessary and appropriate to carry out and implement the intent of this Resolution, including without limitation, the establishment of separate accounts and funds as necessary to appropriately document the receipts and expenditures of the City acting in its capacity as Successor Agency to the former RDA.

PASSED AND ADOPTED this 28th day of February, 2014, by the following vote:

AYES: Brad Wilkie, Bob Lingl, Patrick Wiemiller, Dan Secord, Renee Bahl, and Chairman Sheldon Smith.

NOES: None

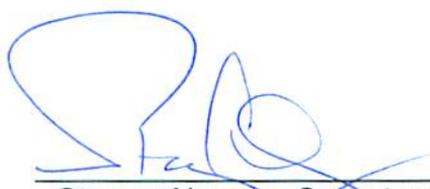
ABSENT: Richard Carmody

APPROVED:



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Sheldon Smith, Chairman  
Oversight Board to the Successor Agency of  
the Dissolved Lompoc Redevelopment  
Agency



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Stacey Alvarez, Secretary  
Oversight Board to the Successor Agency of  
the Dissolved Lompoc Redevelopment  
Agency

Exhibit A – Lompoc Recognized Obligation Payment Schedule (ROPS 14-15A) for July 1, 2014 through December 31, 2014

Exhibit B – Cooperation Agreement for Expenditure of Bond Proceeds

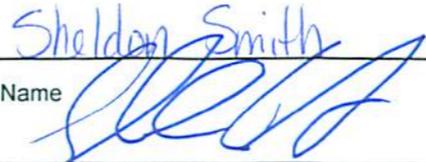
## Recognized Obligation Payment Schedule (ROPS 14-15A) - Summary

Filed for the July 1, 2014 through December 31, 2014 Period

Name of Successor Agency: Lompoc  
 Name of County: Santa Barbara

Current Period Requested Funding for Outstanding Debt or Obligation	Six-Month Total
<b>Enforceable Obligations Funded with Non-Redevelopment Property Tax Trust Fund (RPTTF) Funding</b>	
<b>A Sources (B+C+D):</b>	<b>\$ 1,074,167</b>
B Bond Proceeds Funding (ROPS Detail)	929,815
C Reserve Balance Funding (ROPS Detail)	144,352
D Other Funding (ROPS Detail)	-
<b>E Enforceable Obligations Funded with RPTTF Funding (F+G):</b>	<b>\$ 841,627</b>
F Non-Administrative Costs (ROPS Detail)	716,627
G Administrative Costs (ROPS Detail)	125,000
<b>H Current Period Enforceable Obligations (A+E):</b>	<b>\$ 1,915,794</b>
<b>Successor Agency Self-Reported Prior Period Adjustment to Current Period RPTTF Requested Funding</b>	
I Enforceable Obligations funded with RPTTF (E):	841,627
J Less Prior Period Adjustment (Report of Prior Period Adjustments Column S)	(204,915)
<b>K Adjusted Current Period RPTTF Requested Funding (I-J)</b>	<b>\$ 636,712</b>
<b>County Auditor Controller Reported Prior Period Adjustment to Current Period RPTTF Requested Funding</b>	
L Enforceable Obligations funded with RPTTF (E):	841,627
M Less Prior Period Adjustment (Report of Prior Period Adjustments Column AA)	-
<b>N Adjusted Current Period RPTTF Requested Funding (L-M)</b>	<b>841,627</b>

Certification of Oversight Board Chairman:  
 Pursuant to Section 34177(m) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named agency.

  
 Name Sheldon Smith Title Chairman  
 /s/  Date February 28, 2014  
 Signature Date

**Recognized Obligation Payment Schedule (ROPS) 14-15A - Report of Cash Balances**  
(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177(l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.									
A	B	C	D	E	F	G	H	I	
Cash Balance Information by ROPS Period		Fund Sources						Comments	
		Bond Proceeds		Reserve Balance		Other	RPTTF		
		Bonds Issued on or before 12/31/10	Bonds Issued on or after 01/01/11	Prior ROPS period balances and DDR balances retained	Prior ROPS RPTTF distributed as reserve for next bond payment	Rent, Grants, Interest, Etc.	Non-Admin and Admin		
<b>ROPS 13-14A Actuals (07/01/13 - 12/31/13)</b>									
1	Beginning Available Cash Balance (Actual 07/01/13) Note that for the RPTTF, 1 + 2 should tie to columns J and O in the Report of Prior Period Adjustments (PPAs)	1,535,640		247,866			1,574		
2	Revenue/Income (Actual 12/31/13) Note that the RPTTF amounts should tie to the ROPS 13-14A distribution from the County Auditor-Controller during June 2013	564					1,000,950		
3	Expenditures for ROPS 13-14A Enforceable Obligations (Actual 12/31/13) Note that for the RPTTF, 3 + 4 should tie to columns L and Q in the Report of PPAs						797,609		
4	Retention of Available Cash Balance (Actual 12/31/13) Note that the RPTTF amount should only include the retention of reserves for debt service approved in ROPS 13-14A	606,389		166,283					
5	ROPS 13-14A RPTTF Prior Period Adjustment Note that the RPTTF amount should tie to column S in the Report of PPAs.	No entry required						204,915	
6	Ending Actual Available Cash Balance C to G = (1 + 2 - 3 - 4), H = (1 + 2 - 3 - 4 - 5)	\$ 929,815	\$ -	\$ 81,583	\$ -	\$ -	\$ -		
<b>ROPS 13-14B Estimate (01/01/14 - 06/30/14)</b>									
7	Beginning Available Cash Balance (Actual 01/01/14) (C, D, E, G = 4 + 6, F = H4 + F4 + F6, and H = 5 + 6)	\$ 1,536,204	\$ -	\$ 247,866	\$ -	\$ -	\$ 204,915		
8	Revenue/Income (Estimate 06/30/14) Note that the RPTTF amounts should tie to the ROPS 13-14B distribution from the County Auditor-Controller during January 2014						503,776		
9	Expenditures for 13-14B Enforceable Obligations (Estimate 06/30/14)			144,352			507,776		
10	Retention of Available Cash Balance (Estimate 06/30/14) Note that the RPTTF amounts may include the retention of reserves for debt service approved in ROPS 13-14B	606,389		21,931					
11	Ending Estimated Available Cash Balance (7 + 8 - 9 - 10)	\$ 929,815	\$ -	\$ 81,583	\$ -	\$ -	\$ 200,915		

**Recognized Obligation Payment Schedule (ROPS) 14-15A - ROPS Detail**  
**July 1, 2014 through December 31, 2014**  
 (Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Item #	Project Name / Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	Funding Source					Six-Month Total
										Non-Redevelopment Property Tax Trust Fund (Non-RPTTF)			RPTTF		
										Bond Proceeds	Reserve Balance	Other Funds	Non-Admin	Admin	
								\$ 26,300,363		\$ 929,815	\$ 144,352	\$ -	\$ 716,627	\$ 125,000	\$ 1,915,794
1	2004 Bonds	Bonds Issued On or Before 12/31/10	11/23/2004	9/2/2034	U S Bank	Bond for Aquatic Center Construction	All Lompoc Project Areas	9,533,906	N				322,999		\$ 322,999
2	2010 Tax Allocation Bonds	Bonds Issued On or Before 12/31/10	6/10/2010	9/1/2039	U S Bank	Sr Community Center & Aquatic Center Imp	All Lompoc Project Areas	15,422,425	N				377,294		\$ 377,294
3	Energy Eff. Improv Capital lease	Third-Party Loans	8/24/2007	6/10/2027	Banc of America	Energy Efficient Improv capital lease - Chevron	All Lompoc Project Areas	76,508	N				2,834		\$ 2,834
5	Trustee Fees	Fees	7/1/2014	12/31/2014	US Bank	2004 & 2010 Trustee fees (Bank services )	All Lompoc Project Areas	3,500	N				3,500		\$ 3,500
6	Arbitrage services	Fees	7/1/2014	12/31/2014	Willdan Financial Services	2004 & 2010 bond arbitrage services	All Lompoc Project Areas	10,000	N				10,000		\$ 10,000
8	Personnel Costs	Admin Costs	7/1/2014	12/31/2014	City of Lompoc	Cost of staff to wind down the agency	All Lompoc Project Areas	73,635	N					73,635	\$ 73,635
9	Legal Services	Admin Costs	7/1/2014	12/31/2014	Aleshire & Wynder LL	Legal services	All Lompoc Project Areas	7,500	N					7,500	\$ 7,500
10	Audit Services	Admin Costs	7/1/2014	12/31/2014	GBP&B	Audit Services	All Lompoc Project Areas	3,750	N					3,750	\$ 3,750
11	Admin services - cost alloc.	Admin Costs	7/1/2014	12/31/2014	City of Lompoc	Payment of office space, energy, admin serv	All Lompoc Project Areas	19,858	N					19,858	\$ 19,858
12	Office supplies, repair and maint.	Admin Costs	7/1/2014	12/31/2014	various	Pay related Expenses /Admin & Operation	All Lompoc Project Areas	12,757	N					12,757	\$ 12,757
13	Property development charges	Admin Costs	7/1/2014	12/31/2014	various	Related to property owned by the RDA	All Lompoc Project Areas	-	N						\$ -
29	Recreation / Community Projects	Miscellaneous	1/1/2014	06/31/2014	Various	Public Facilities/Bond funded - construction projects	All Lompoc Project Areas	-	N						\$ -
38	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	6/30/2014	Lompoc - Eng Plan Internal Serv	Bond Funded Community Center - Building Rehabilitation	All Lompoc Project Areas		Y						
39	Dick DeWees Community Center	Improvement/Infrastructure	6/15/2011	6/30/2014	Contract	Bond Funded Community Center - Project Construction	All Lompoc Project Areas		Y						
40	Laurel Crossing	OPA/DDA/Construction	5/18/2011	12/31/2014	West Pointe Homes	Low Mod Housing Project	All Lompoc Project Areas	144,352	N		144,352				\$ 144,352
41	Loan Payable to the City	City/County Loans On or Before 6/27/11	8/3/1999	12/31/2014	City of Lompoc	Loan to fund activities in LRDA Project Area	All Lompoc Project Areas	2,720	N						\$ -
42	Loan Payable to the City	City/County Loans On or Before 6/27/11	8/3/1999	12/31/2014	City of Lompoc	Loan from General Fund for Specific Plan	All Lompoc Project Areas	48,009	N						\$ -
43	Loan Payable to the City	City/County Loans On or Before 6/27/11	11/2/1999	12/31/2014	City of Lompoc	Loan for Senior Center Improvements	All Lompoc Project Areas	6,128	N						\$ -
44	Legal Services	Legal	12/17/2012	12/31/2014	Ross & Casso	Oversight Board Legal Services	All Lompoc Project Areas	-	Y						\$ -
45	Shortfall of RPTTF for the 2013-14A ROPS	RPTTF Shortfall	1/1/2014	6/30/2014	City of Lompoc	Revenue Shortfall from ROPS 13-14A	All Lompoc Project Areas	-	Y						\$ -
46	Aquatic Center Project	Improvement/Infrastructure	1/1/2014	12/31/2014	Lincoln Aquatics	Bond Funded Aquatic Center - Lane Lines, Pool Covers, Swim Lifts	All Lompoc Project Areas	35,428	N	35,428					\$ 35,428
47	Aquatic Center Project	Improvement/Infrastructure	1/1/2014	12/31/2014	Mid Coast Glass Co.	Bond Funded Aquatic Center - Glass wall on side platform	All Lompoc Project Areas	9,450	N	9,450					\$ 9,450

**Recognized Obligation Payment Schedule (ROPS) 14-15A - ROPS Detail**  
**July 1, 2014 through December 31, 2014**  
 (Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K					P
										Funding Source					
										Non-Redevelopment Property Tax Trust Fund (Non-RPTTF)			RPTTF		
Item #	Project Name / Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	Bond Proceeds	Reserve Balance	Other Funds	Non-Admin	Admin	Six-Month Total
48	Aquatic Center Project	Improvement/Infrastructure	1/1/2014	12/31/2014	America Auto doors	Bond Funded Aquatic Center - ADA door (entry & lobby-pool)	All Lompoc Project Areas	11,529	N	11,529					\$ 11,529
49	Aquatic Center Project	Improvement/Infrastructure	1/1/2014	12/31/2014	New Era Sound	Bond Funded Aquatic Center - PA / Sound System	All Lompoc Project Areas	10,631	N	10,631					\$ 10,631
50	Aquatic Center Project	Improvement/Infrastructure	1/1/2014	12/31/2014	Highland	Bond Funded Aquatic Center - Bleachers	All Lompoc Project Areas	29,563	N	29,563					\$ 29,563
51	Bond Funded Recreational Projects - Line Reserved	Improvement/Infrastructure	1/1/2014	12/31/2014	City of Lompoc	Bond Funded Recreational Projects - Line Reserved	All Lompoc Project Areas	-	N						\$ -
52	Bond Funded Recreational Projects - Line Reserved	Improvement/Infrastructure	1/1/2014	12/31/2014	City of Lompoc	Bond Funded Recreational Projects - Line Reserved	All Lompoc Project Areas	-	N						\$ -
53	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	Pier 1 Imports, Lompoc	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	2,500	N	2,500					\$ 2,500
54	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	Upbeat, Inc	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	10,000	N	10,000					\$ 10,000
55	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	Central Restaurant Products	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	2,900	N	2,900					\$ 2,900
56	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	KLH Marketing	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	7,800	N	7,800					\$ 7,800
57	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	Aztec	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	5,000	N	5,000					\$ 5,000
58	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	Santa Maria BBQ Outfitters	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	2,300	N	2,300					\$ 2,300
59	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	M.T.C.O Concrete Construction and the City of Lompoc	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	7,000	N	7,000					\$ 7,000
60	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	Wilbur Curtis	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	6,600	N	6,600					\$ 6,600
61	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	Office Max	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	6,320	N	6,320					\$ 6,320
62	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	Schools In	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	1,950	N	1,950					\$ 1,950
63	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	Global Industrial	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	1,000	N	1,000					\$ 1,000
64	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	City of Lompoc / Dell	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	11,740	N	11,740					\$ 11,740
65	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	CV Linens	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	7,860	N	7,860					\$ 7,860
66	Dick DeWees Community Center	Improvement/Infrastructure	1/1/2014	12/31/2014	MityLite	Bond Funded Community Center - Internal Furnishings / Storage	All Lompoc Project Areas	12,000	N	12,000					\$ 12,000
67	Recreation / Community Projects	Improvement/Infrastructure	7/1/2014	12/31/2014	City of Lompoc	Recreational Community Projects Cooperative Agreement by SA & City	All Lompoc Project Areas	748,244	N	748,244					\$ 748,244
68	Legal Services	Legal	7/1/2014	12/31/2014	Casso & Sparks, LLP	Oversight Board Legal Services	All Lompoc Project Areas	7,500	N					7,500	\$ 7,500



COOPERATION AGREEMENT FOR EXPENDITURE OF 2010 BOND PROCEEDS  
BETWEEN  
THE CITY OF LOMPOC  
AND  
THE SUCCESSOR AGENCY  
TO THE DISSOLVED LOMPOC REDEVELOPMENT AGENCY

THIS COOPERATION AGREEMENT is entered into this 28th day of February, 2014 by and between THE CITY OF LOMPOC (the "City") and THE SUCCESSOR AGENCY TO THE DISSOLVED LOMPOC REDEVELOPMENT AGENCY (the "Successor Agency").

R E C I T A L S

A. On June 29, 2010, the former Lompoc Redevelopment Agency ("RDA") issued its Old Town Lompoc Redevelopment Project Tax Allocation Bonds, Series 2010 in the amount of \$8,385,000 (the "2010 Bonds"). The majority of the bond proceeds have been used to pay the costs of projects that met the goals and objectives of the Redevelopment Plan. Among the projects assisted with the bond proceeds were the development of the Dick DeWees Community and Senior Center (identified simply as the Community Center in the Final Official Statement) and the Aquatic Center Dehumidification Project.

B. Effective February 1, 2012, the RDA was dissolved pursuant to Assembly Bill x1 26, Chapter 5, Statutes 2011, First Extraordinary Session of the California Legislature, as modified by the California Supreme Court in *California Redevelopment Association v. Matosantos* (2011) 53 Cal.4th 231, and subsequent legislation, Assembly Bill 1484, Chapter 26, Statutes 2011-2012. As a result, the Successor Agency became the successor in interest to certain assets and obligations of the RDA, including, but not limited to, the unspent proceeds of the 2010 Bonds and the obligation to repay the 2010 Bonds.

C. Pursuant to Health & Safety Code § 34191.7, the Successor Agency on June 7, 2013, received its finding of completion. The Successor Agency has \$748,244 in unspent proceeds from its 2010 Bonds. As permitted by Health & Safety Code §34191.4(c), the Successor Agency wishes to spend the proceeds for the purposes under which the 2010 Bonds were issued. However, the Successor Agency has found the inclusion of the use of the proceeds on Recognized Obligation Payment Schedule complicates and impedes the use of the unspent proceeds.

D. As of the date of this Agreement, the amount of the unspent proceeds of the 2010 Bonds is \$748,244 (the "Unspent Bond Proceeds"). The Board of the Successor Agency and the City Council of the City desire to have the Successor Agency remit the Unspent Bond Proceeds to the City and for the City to take charge of the use of the Unspent Bond Proceeds pursuant to this Agreement. Such action

allows for the timely execution of Bonded-project contracts without need of placing each contract on the Recognized Obligation Payment Schedule and awaiting Oversight Board and Department of Finance review.

E. Pursuant to Health and Safety Code § 34177.3.(c), the Successor Agency is authorized to transfer revenues to any other party according to an enforceable obligation on a Recognized Obligation Payment Schedule approved by the Department of Finance.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Remittance of Unspent Bond Proceeds. The Successor Agency shall remit the Unspent Bond Proceeds to the City. The Unspent Bond Proceeds shall be maintained by the City in a separate fund and shall not be commingled with the City's General Fund or any other fund maintained by the City. The remittance shall take place after OB and Department of Finance approval.

2. Expenditure of Unspent Bond Proceeds. The City shall spend the Unspent Bond Proceeds on behalf of the Successor Agency. All purposes for which the City spends the Unspent Bond Proceeds shall be within the scope of the uses of proceeds of the 2010 Bonds as set forth in the Trust Indenture and the Official Statement for the 2010 Bonds (both attached hereto as Exhibit A) and more specifically described in Exhibit B. Public bidding procedures shall apply to the use of the Unspent Bond Proceeds to the extent required by law. Within 90 days after the City enters into any contract or purchase order for which Unspent Bond Proceeds will be used, the City shall report in writing to the Successor Agency and the Oversight Board of the Successor Agency regarding the use of the Unspent Bond Proceeds. Such report shall include the purpose for which the Unspent Bond Proceeds will be used, the process by which the contract or purchase order was entered into, the amount of Unspent Bond Proceeds to be expended pursuant to such contract or purchase order and an accounting of the amount of Unspent Bond Proceeds remaining.

3. Liability and Indemnification. Pursuant to Section 895.4 of the Government Code, the Successor Agency and the City agree that each will assume the full liability imposed on it or any of its officers, agents or employees for injury caused by a negligent or wrongful act or omission occurring in the performance of this Agreement, and each party agrees to indemnify and hold harmless the other party for any loss, cost or expense that may be imposed on the other party by virtue of Section 895.2 and 895.6 of the Government Code.

4. Termination of Agreement. Except for Paragraph 3, this Agreement and the obligations of the City and the Successor Agency shall terminate on the expenditure of all of the Unspent Bond Proceeds.

5. Entire Agreement. The Agreement shall constitute the entire agreement of the parties with respect to the subject matter hereof. The Agreement may be modified or amended only by an agreement in writing signed by authorized

representatives of the parties after any and all required actions by the parties' respective governing bodies.

6. Non-Liability of Members, Official, Employees, and Agents; Non-Recourse Obligation. No member, officer, official, employee, agent or representative of the City or the Successor Agency shall be personally liable for performance by the City or Successor Agency hereunder, for breach or default by the City of Successor Agency hereunder, for any amounts which may be payable or become due hereunder, or for any judgment or execution thereon entered in any action.

7. No Third Party Beneficiaries; Binding on Successors and Assigns. There are no third party beneficiaries under this Agreement. No person or entity other than the City and the Successor Agency and their respective successors and assigns shall have any rights or any right of action hereunder. To the maximum extent permitted by law this Agreement is intended to be binding upon the voluntary and involuntary successors and assigns of the City and the Successor Agency.

IN WITNESS WHEREOF, the parties hereto executed this Agreement to be effective as of the date first written above.

CITY:

CITY OF LOMPOC

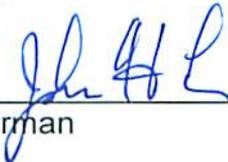
  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
City Clerk

SUCCESSOR AGENCY:

SUCCESSOR AGENCY TO THE  
LOMPOC REDEVELOPMENT  
AGENCY, a public body, corporate and  
politic

  
\_\_\_\_\_  
Chairman

ATTEST:

  
\_\_\_\_\_  
Secretary

APPROVED AS TO FORM:

ALESHIRE & WYNDER, LLP

  
\_\_\_\_\_  
Joseph W. Pannone  
City Attorney/Successor Agency Counsel

**EXHIBIT A**

**INDENTURE OF TRUST AND THE FINAL OFFICIAL STATEMENT FOR THE 2010  
TAX ANTICIPATION BOND**

**(immediately behind this page)**

**EXHIBIT B**

**RECREATION PROJECT PRIORITY LIST  
APPROVED FEBRUARY 18, 2014**

**(immediately behind this page)**

**SUCCESSOR AGENCY TO THE DISSOLVED LOMPOC REDEVELOPMENT AGENCY  
2010 TAX INCREMENT BOND (TAB)  
APPROVED RECREATION PROJECT PRIORITY LIST  
APPROVED FEBRUARY 18, 2014**

All the projects stated below are projects that meet the requirements of the 2010 TAB requirements and are located within or contiguous to the Lompoc Redevelopment Project Area. Those projects were presented to the Successor Agency Board for approval.

**LOMPOC AQUATIC CENTER – Priority #1**

- Pool Cover for the Therapeutic Pool and Play Structure area
- Replacement of Ceiling Tracks for the glass enclosure

**DICK DEWEES COMMUNITY & SENIOR CENTER – Priority #2**

- Truncated Domes installed along the north side of the building
- 30 additional round tables

In addition to the foregoing, the Successor Agency also identified other public facilities for which 2010 TAB proceeds would be used to the extent available. The types of project that would be financed with those proceeds would be to improve the public accessibility, usefulness and economic viability of those facilities. The following list of specific projects under each of the identified facilities are provided as examples of those types of improvements and not intended to be a precise or exhaustive list:

**1. RYON MEMORIAL PARK**

- Repair of the Arch
- Turf renovation with new irrigation and gopher wire
- Restroom renovation/replacement
- Cover on the picnic shelter with BBQ pit improvements
- Stage improvements
- Parking lot improvements
- New playground for 2 – 5 year olds
- ADA accessibility to playgrounds
- Lighted flagpole to replace the damaged one removed
- Possible electrical utility upgrade

**2. THOMPSON PARK**

- Renovation of Softball area
  - Bleachers
  - Infield
  - Turf with gopher wire
  - Score booth/Storage area
  - Dug outs

- Replace all turf in the park with new irrigation and gopher wire
- Interior park safety lighting
- Restroom renovation/replacement
- ADA accessibility to playgrounds
- Expand current playground area to include 2 – 5 year old play structure
- Complete the group BBQ area, including a cover

**3. CIVIC AUDITORIUM**

- New house lights
- New/Refurbished theater seats
- Roof replacement
- Bathroom renovation
- Repair of front doors
- Window replacement
- Stage floor renovation

**4. ANDERSON RECREATION CENTER**

- Replace the front doors
- Renovate the gymnasium into a multi-sport facility
- Replace the Lobby Floor

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**INDENTURE OF TRUST**

**Dated as of June 1, 2010**

**by and between the**

**LOMPOC REDEVELOPMENT AGENCY**

**and**

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

**Relating to**

**\$8,385,000  
Lompoc Redevelopment Agency  
Old Town Lompoc Redevelopment Project  
Tax Allocation Bonds, Series 2010**

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**EXHIBIT A FORM OF SERIES 2010 BOND**

## INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture") is made and entered into and dated as of June 1, 2010, by and between the LOMPOC REDEVELOPMENT AGENCY, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Agency"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee");

### WITNESSETH:

**WHEREAS**, the Agency is a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (the "Law"), including the power to issue bonds for any of its corporate purposes;

**WHEREAS**, a Redevelopment Plan (as defined herein) for the Old Town Lompoc Redevelopment Project (the "Redevelopment Project") in the City of Lompoc, California has been adopted in compliance with all requirements of the Law;

**WHEREAS**, in order to provide moneys to finance redevelopment activities for the Redevelopment Project, the Agency has heretofore entered into a Loan Agreement dated as of November 1, 2004 (the "2004 Loan Agreement"), between the Agency and the Lompoc Public Financing Authority (the "Authority") pursuant to which the Authority made a loan (the "2004 Loan") to the Agency in the amount of \$7,350,000 payable from Tax Revenues (as defined in the Loan Agreement and herein);

**WHEREAS**, the Agency has now determined to borrow additional funds to finance the Redevelopment Project, and, to that end, has determined to issue a series of its bonds designated as the "Lompoc Redevelopment Agency Old Town Lompoc Redevelopment Project Tax Allocation Bonds, Series 2010" (the "Series 2010 Bonds");

**WHEREAS**, the Bonds, including the Series 2010 Bonds, will be payable from Tax Revenues on a parity with the Agency's obligation under the 2004 Loan Agreement and, to that end, the Agency will comply with the requirements of Section 2.06 of the 2004 Loan Agreement in connection with the issuance of the Series 2010 Bonds;

**WHEREAS**, in order to provide for the authentication and delivery of the Series 2010 Bonds, to establish and declare the terms and conditions upon which the Series 2010 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Agency and the Trustee have duly authorized the execution and delivery of this Indenture; and

**WHEREAS**, the Agency has determined that all acts and proceedings required by law necessary to make the Series 2010 Bonds when executed by the Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Agency, and to constitute this Indenture a legal, valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken;

**NOW, THEREFORE, THIS INDENTURE WITNESSETH**, that in order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Bonds, including the Series 2010 Bonds, issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds, including the Series 2010 Bonds, are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds, including the Series 2010 Bonds, by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Agency and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, including the Series 2010 Bonds, as follows:

## ARTICLE I

### DETERMINATIONS; DEFINITIONS

**Section 1.01. Findings and Determinations.** The Agency has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Series 2010 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Agency is now duly empowered, pursuant to each and every requirement of law, to issue the Series 2010 Bonds in the manner and form provided in this Indenture.

**Section 1.02. Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.02 shall, for all purposes of this Indenture, of any Supplemental Indenture, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

**"Agency"** means the Lompoc Redevelopment Agency, a public body corporate and politic duly organized and existing under the Law.

**"Annual Debt Service"** means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds and other Parity Debt, including the 2004 Loan, in such Bond Year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds are redeemed from mandatory sinking account payments as scheduled, (b) the principal amount of the Outstanding Serial Bonds and other Parity Debt, including the 2004 Loan, payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from mandatory sinking account payments in such Bond Year. 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 this 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 (as evidenced in the written records of the County) at least meets the requirements of Section 3.05(b).

**"Authority"** means Lompoc Public Financing Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement, dated September 18, 1989, as amended and restated on March 3, 1992, by and between the City and the Agency, and under the laws of the State.

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

**"Bond Proceeds Fund"** means the fund by that name established and held by the Trustee pursuant to Section 3.04.

**"Bond Year"** means any twelve-month period beginning on September 2 in any year and ending on the next succeeding September 1, both dates inclusive, except that the first Bond

Year shall begin on the Closing Date with respect to the Series 2010 Bonds and end on September 1, 2010.

**"Bonds"** means the Series 2010 Bonds and any Parity Debt issued as bonds pursuant to a Supplemental Indenture.

**"Business Day"** means a day of the year on which banks in the State of California and any city where the Principal Corporate Trust Office is located are not required or permitted to be closed and on which the New York Stock Exchange is not closed.

**"City"** means the City of Lompoc, California, a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State.

**"Closing Date"** means the date on which a series of Bonds is delivered by the Agency to the original purchaser thereof.

**"Code"** means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Series 2010 Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Series 2010 Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

**"Continuing Disclosure Certificate"** means that certain Continuing Disclosure Certificate with respect to the Series 2010 Bonds, executed by the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

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

**"Costs of Issuance Fund"** means the fund by that name established and held by the Trustee pursuant to Section 3.03.

**"County"** means the County of Santa Barbara, a county duly organized and existing under the laws of the State.

**"Debt Service Fund"** means the fund by that name established and held by the Trustee pursuant to Section 4.03.

**"Defeasance Obligations"** means any of the following which, at the time of investment, are in compliance with the City's investment policies then in effect (provided that the Trustee shall be entitled to rely upon any investment direction from the Agency as conclusive certification to the Trustee that investments described therein are in compliance with the City's investment policies then in effect):

- (a) Cash;
- (b) Federal Securities;
- (c) 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;
- (d) 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;
- (e) 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 Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (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; and
- (f) 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 Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System.

**"Depository"** means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.11.

**"Depository System Participant"** means any participant in the Depository's book-entry system.

**"DTC"** means The Depository Trust Company, New York, New York, and its successors and assigns.

**"Event of Default"** means any of the events described in Section 8.01.

**"Fair Market Value"** means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and,

otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, (iv) any commingled investment fund in which the Agency and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment, or (v) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States, as certified in writing by the Agency to the Trustee.

**"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 directly or indirectly 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 to the Trustee in writing as its official fiscal year period.

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

**"Independent Accountant"** means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Agency, and who, or each of whom:

- (a) is in fact independent and not under domination of the Agency;
  - (b) does not have any substantial interest, direct or indirect, with the Agency;
- and
- (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

**"Independent 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 domination of the Agency;

(c) does not have any substantial interest, direct or indirect, with the Agency;  
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.

**"Information Services"** means:

Financial Information, Inc.'s "Daily Called Bond Service"  
30 Montgomery Street, 10th Floor  
Jersey City, New Jersey 07302  
Attention: Editor

FIS/Mergent, Inc.  
5250 77 Center Drive, Suite 150  
Charlotte, North Carolina 28217  
Attn: Call Notification

Standard & Poor's Securities Evaluation, Inc.  
55 Water Street, 45th Floor  
New York, New York 10041  
Attention: Notification Department

Xcitek  
5 Hanover Square  
New York, New York 10004;

and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to the redemption of bonds as the Agency may designate in a Written Request of the Agency filed with the Trustee. **"Interest Account"** means the account by that name established and held by the Trustee pursuant to Section 4.03(a).

**"Interest Payment Date"** means each March 1 and September 1, commencing March 1, 2011, for so long as any of the Bonds remain Outstanding hereunder.

**"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.

**"Maximum Annual Debt Service"** means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year, including payments on any Parity Debt, as certified in writing by the Agency to the Trustee. For purposes of such calculation, there shall be excluded the principal of any Bonds and other Parity Debt, together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Bonds and other Parity Debt are deposited in an escrow fund and are held in cash or are invested solely in Permitted Investments and from which amounts 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) at least equal the requirements for issuance of Parity Debt under Section 3.05(b).

**"Moody's"** means Moody's Investors Service and its successors.

**"Nominee"** means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to Section 2.11(a).

**"Outstanding"** when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.05) all Bonds except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant hereto.

**"Owner"** or **"Bondowner"** 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 the 2004 Loan and any additional bonds, loans, advances or indebtedness issued or incurred by the Agency on a parity with the Series 2010 Bonds pursuant to Section 3.05.

**"Parity Debt Instrument"** means any Supplemental Indenture or other instrument providing for the issuance or incurrence of Parity Debt.

**"Participating Underwriter"** has the meaning ascribed thereto in the Continuing Disclosure Certificate.

**"Passthrough Agreements"** means the Agreement for Reimbursement of Tax Increment Funds dated January 17, 1985 by and between the Agency, the City and the County, and the Agreement for Reimbursement of Tax Increment Funds dated January 18, 1985 by and between the Agency, the City and the Lompoc Unified School 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), but only to the extent that the same are acquired at Fair Market Value and otherwise comply with the City's investment policies at the time such Permitted Investment is acquired:

- (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) certificates of beneficial ownership of the Farmers Home Administration; (ii) Federal Housing Administration debentures; (iii) participation certificates of the General Services Administration; (iv) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (v) guaranteed Title XI

financings of the U.S. Maritime Administration; and (vi) 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) mortgage-backed securities and senior debt obligations of the Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) 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 AA m, 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) Unsecured certificates of deposit of any bank including those of the Trustee, its parent and its affiliates the short-term obligations of which are rated on the date of purchase "A-1+" or better by S&P and "P-1" by Moody's and or certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase A-1 or better by S&P, Moody's and Fitch.
- (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 or which are issued by any bank the obligations of which are rated at least "A" by Moody's and S&P;
- (g) Investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements with financial institutions rated at least "AA" by Moody's or S&P, or fully collateralized with Federal Securities;
- (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, bankers acceptances, time or demand deposits with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P; and

- (k) The Local Agency Investment Fund (LAIF) which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California; with respect to any investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee, and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of the Indenture.

**"Plan Limits"** means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, and (c) the period of time for establishing or repaying indebtedness payable from Tax Revenues.

**"Principal Account"** means the account by that name established and held by the Trustee pursuant to Section 4.03(b).

**"Principal Corporate Trust Office"** means the principal corporate trust office of the Trustee located in Los Angeles, California, or such other office that the Trustee may designate in writing to the Agency from time to time as the corporate trust office for purposes of this Indenture; *provided, however*, that for purposes of the transfer, registration, exchange, payment and surrender of Bonds, the term "Principal Corporate Trust Office" means care of the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota.

**"Project Area"** means the territory within the Redevelopment Project, as described in the Redevelopment Plan.

**"Qualified Reserve Account Credit Instrument"** means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond is at least "AA" from S&P or "Aa" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond is "AAA" from S&P, or "Aaa" from Moody's or, if rated by A.M. Best & 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 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; and (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 or the Principal Account for the purpose of making payments required pursuant to Sections 4.03(a) or 4.03(b) of this Indenture.

**"Record Date"** means, with respect to any Interest Payment Date, the close of business on the 15th calendar day of the month preceding such Interest Payment Date, whether or not such 15th calendar day is a Business Day.

**"Redemption Account"** means the account by that name established and held by the Trustee pursuant to Section 4.03(d).

**"Redevelopment Fund"** means the fund by that name established and held by the Agency pursuant to Section 3.04.

**"Redevelopment Plan"** means the Redevelopment Plan for the Redevelopment Project, approved and adopted by Ordinance No. 1213(84) enacted by the City Council of the City and effective on November 20, 1984, together with any amendments thereof at any time duly authorized pursuant to the Redevelopment Law.

**"Redevelopment Project"** means the Old Town Lompoc Redevelopment Project as described in the Redevelopment Plan.

**"Registration Books"** means the records maintained by the Trustee pursuant to Section 2.08 for the registration and transfer of ownership of the Bonds.

**"Report"** means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of this Indenture to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

**"Reserve Account"** means the account by that name established and held by the Trustee pursuant to Section 4.03(c).

**"Reserve Requirement"** means, as of the date of calculation by the Agency, the lesser of

(i) the amount of Maximum Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds), and

(ii) 125% of average Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds);

provided, that in no event shall the Agency, in connection with the issuance of Bonds pursuant to a Supplemental Indenture, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit. The Reserve Requirement may be determined collectively with respect to all Bonds, or separately with respect to one or more series of Bonds.

**"S&P"** means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, and its successors.

**"Securities Depositories"** means The Depository Trust Company; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities

depositories, or no such depositories, as the Agency may indicate in a certificate of the Agency delivered to the Trustee.

**"Series 2010 Bonds"** means the \$8,385,000 aggregate principal amount of Lompoc Redevelopment Agency Old Town Lompoc Redevelopment Project Tax Allocation Bonds, Series 2010.

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

**"Special Fund"** means the fund held by the Agency established pursuant to Section 3.02 of the 2004 Loan Agreement.

**"State"** means the State of California.

**"Subordinate Debt"** means any loans, advances or indebtedness issued or incurred by the Agency pursuant to Section 3.06, 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 expressly subordinate to the pledge of and lien upon the Tax Revenues hereunder for the security of the Bonds.

**"Subordinate Debt Instrument"** means any instrument providing for the issuance of Subordinate Debt.

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

**"Tax Revenues"** means all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding amounts payable by the State to the Agency pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government code of the State of California and excluding amounts payable by the Agency pursuant the Passthrough Agreements and pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds, including any Parity Debt). Tax Revenues shall not include any amounts of such taxes which are required to be deposited into the Low and Moderate Income Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, except to the extent such amounts are permitted to be applied to the payment of principal, interest and premium (if any) with respect to the Bonds or any Parity Debt.

**"Term Bonds"** means the Series 2010 Bonds maturing on September 1, 2031 and September 1, 2039 and that portion of any other Bonds payable from mandatory sinking account payments.

**"Trustee"** means U.S. Bank National Association, as trustee hereunder, or any successor thereto appointed as trustee hereunder in accordance with the provisions of Article VI.

"**2004 Loan**" means the loan of \$7,350,000 from the Authority to the Agency made pursuant to the 2004 Loan Agreement.

"**2004 Loan Agreement**" means the Loan Agreement, dated as of November 1, 2004 between the Authority and the Agency pursuant to which the 2004 Loan was made.

"**Written Request of the Agency**" or "**Written Certificate of the Agency**" means a request or certificate, in writing signed by the Treasurer of the Agency or her or his designee, or by any other officer of the Agency or the City duly authorized by the Agency for that purpose.

**Section 1.03. Rules of Construction.** All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### AUTHORIZATION AND TERMS

**Section 2.01. Authorization of Series 2010 Bonds.** An initial issue of Bonds in the aggregate principal amount of Eight Million Three Hundred Eighty Five Thousand Dollars (\$8,385,000) is hereby authorized to be issued by the Agency under and subject to the terms of this Indenture, and the Law. This Indenture constitutes a continuing agreement with the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal and redemption premiums (if any) and the interest on all Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. Such initial issue of Bonds shall be designated the "Lompoc Redevelopment Agency Old Town Lompoc Redevelopment Project Tax Allocation Bonds, Series 2010."

**Section 2.02. Terms of Series 2010 Bonds.** The Series 2010 Bonds shall be issued in fully registered form without coupons. The Series 2010 Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Series 2010 Bond shall have more than one maturity date. The Series 2010 Bonds shall be dated as of their Closing Date. The Series 2010 Bonds shall be lettered and numbered as the Trustee shall prescribe.

The Series 2010 Bonds shall mature and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rate per annum as follows:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2011	\$ 70,000	2.000%
2012	150,000	2.250
2013	155,000	2.750
2014	155,000	3.250
2015	165,000	3.625
2016	170,000	4.000
2017	175,000	4.375
2018	180,000	4.625
2019	195,000	4.875
2020	200,000	5.000
2021	210,000	5.000
2022	225,000	5.125
2023	230,000	5.250
2024	245,000	5.250
2025	255,000	5.375
2026	270,000	5.500
2027	285,000	5.625
2028	305,000	5.750
2029	315,000	5.750
2031	690,000	5.750
2039	3,740,000	6.000

Each Series 2010 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date

and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2011, in which event it shall bear interest from its Closing Date; provided, however, that if, as of the date of authentication of any Series 2010 Bond, interest thereon is in default, such Series 2010 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Series 2010 Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of Series 2010 Bonds, which written request is on file with the Trustee as of any Record Date, interest on such Series 2010 Bonds shall be paid on the succeeding Interest Payment Date to such account in the United States as shall be specified in such written request. The principal of the Series 2010 Bonds and any premium upon redemption, are payable in lawful money of the United States of America upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee.

**Section 2.03. Redemption of Series 2010 Bonds.**

(a) Optional Redemption. The Series 2010 Bonds maturing on or before September 1, 2018, are not subject to optional redemption prior to maturity. The 2010 Bonds maturing on and after September 1, 2019, are subject to redemption, at the option of the Agency, on any date on or after September 1, 2018, as a whole or in part, by such maturities as determined by the Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of 2010 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, at the following redemption prices:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2018 and prior to September 1, 2019	101.0%
September 1, 2019 and prior to September 1, 2020	100.5%
September 1, 2020 and any date thereafter	100.0%

The Agency shall be required to give the Trustee written notice of its intention to redeem Series 2010 Bonds under this subsection (a) with a designation of the principal amount and maturities to be redeemed at least 45 days prior to the date fixed for such redemption (or such later date as shall be acceptable to the Trustee), and, except in the case of an optional redemption being funded by refunding bonds, shall transfer to the Trustee for deposit in the Interest Account and the Principal Account of the Debt Service Fund all amounts required for such redemption at least five Business Days prior to the date fixed for such redemption.

(b) Mandatory Sinking Fund Redemption. The Series 2010 Bonds that are Term Bonds maturing September 1, 2031 and September 1, 2039 shall also be subject to mandatory redemption in whole, or in part by lot, on September 1 in each year set forth below, from sinking fund payments made by the Agency to the Principal Account pursuant to Section 4.03(b), at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table; provided however, that (x) in lieu of redemption thereof such Term Bonds may be purchased by the Agency pursuant to Section 2.03(g) hereof, and (y) if some but not all of such Term Bonds have been redeemed pursuant to subsection (a) above, the total amount of

all future sinking fund payments shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such sinking fund payments in integral multiples of \$5,000 as determined by the Agency (notice of which determination shall be given by the Agency to the Trustee).

**Term Bonds of 2031**

<u>September 1</u>	<u>Principal Amount</u>
2030	\$335,000
2031(Maturity)	355,000

**Term Bonds of 2039**

<u>September 1</u>	<u>Principal Amount</u>
2032	\$375,000
2033	400,000
2034	425,000
2035	450,000
2036	480,000
2037	505,000
2038	535,000
2039 (Maturity)	570,000

(c) **Notice of Redemption; Rescission.** The Trustee on behalf and at the expense of the Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least 30 but not more than 60 days prior to the redemption date, to (i) to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services designated in a Written Request of the Agency filed with the Trustee; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall designate the CUSIP number of the Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or shall state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding are to be redeemed, and shall require that such Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

The Agency 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 such notice of optional redemption shall be canceled 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 this Indenture. The Agency 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 and to the same recipients 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.

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

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

(f) Manner of Redemption. Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Agency thereof to the extent Bonds are no longer held in book-entry form. In the event of redemption by lot of Bonds, the Trustee shall assign to each Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such Bond. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. All Bonds redeemed or purchased pursuant to this Section 2.03 shall be cancelled and destroyed.

(g) Purchase in Lieu of Redemption. In lieu of redemption of the Term Bonds pursuant to the preceding sub-paragraph (b) or pursuant to a Supplemental Indenture, amounts on deposit in the Special Fund or in the Principal Account may also be used and withdrawn by the Agency and the Trustee, respectively, at any time, upon the Written Request of the Agency, 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 Agency may in its discretion determine. The par amount of any Term Bonds so purchased by the Agency in any twelve-month period ending on July 1 in any year shall be credited towards and shall reduce the par amount of the Term Bonds required to be redeemed pursuant to subsection (b) on September 1 in each year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said July 1.

(h) Applicability to All Bonds. Unless otherwise provided in a Supplemental Indenture relating to the issuance of additional Bonds, the provisions of Section 2.03(c) through Section 2.03(g) shall also apply to Bonds other than the Series 2010 Bonds.

**Section 2.04. Form of Series 2010 Bonds.** The Series 2010 Bonds, the form of Trustee's Certificate of Authentication, and the form of Assignment to appear thereon, shall be substantially in the form set forth in Exhibit A, which is attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

**Section 2.05. Execution of Bonds.** The Bonds shall be executed on behalf of the Agency by the signature of its Executive Director or Treasurer or the designee of either and the signature of its Secretary who are in office on the date of execution and delivery of this Indenture or at any time thereafter. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the purchaser. Any Bond may be signed and attested on behalf of the Agency by such persons as at the actual date of the execution of such Bond shall be the proper officers of the Agency although on the date of such Bond any such person shall not have been such officer of the Agency.

Only such of the Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore set forth, manually executed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such Certificate shall be conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture. In the event temporary Bonds are issued pursuant to Section 2.09 hereof, the temporary Bonds may bear thereon a Certificate of Authentication executed and dated by the Trustee, may be initially registered by the Trustee, and, until so exchanged as provided under Section 2.09 hereof, the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

**Section 2.06. Transfer of Bonds.** Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond shall be surrendered for transfer, the Agency shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, maturity and aggregate principal amount of authorized denominations. The Trustee shall collect from the Owner any tax or other governmental charge on the transfer of any Bonds pursuant to this Section 2.06. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Agency.

The Trustee may refuse to transfer, under the provisions of this Section 2.06, either (a) any Bonds during the period 15 days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.

**Section 2.07. Exchange of Bonds.** Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for Bonds of the same tenor and maturity and of other authorized denominations. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds pursuant to this Section 2.07. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Agency.

The Trustee may refuse to exchange, under the provisions of this Section 2.07, either (a) any Bonds during the 15 days prior to the date established by the Trustee for the selection of Bonds for redemption or (b) any Bonds selected by the Trustee for redemption.

**Section 2.08. Registration of Bonds.** The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office, sufficient records for the registration and registration of

transfer of the Bonds, which shall at all times during normal business hours be open to inspection and copying by the Agency, upon reasonable prior notice to the Trustee; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books Bonds as hereinbefore provided.

**Section 2.09. Temporary Bonds.** The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Agency, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Agency upon the same conditions and in substantially the same manner as the definitive Bonds. If the Agency issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations, interest rates and like maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

**Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the Agency, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond has matured or has been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee and the Agency). The Agency may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section 2.10 and of the expenses which may be incurred by the Agency and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Agency whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued pursuant to this Indenture.

**Section 2.11. Book-Entry System.**

(a) **Original Delivery.** The Bonds shall be initially delivered in the form of a separate single fully registered Bond without coupons (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, neither the Agency nor the Trustee shall have any responsibility or obligation to any

Depository System Participant or to any person on behalf of which the Depository System Participant holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, neither the Agency nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the Agency elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Agency and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Agency to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Agency shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Agency and the Trustee shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Agency or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. The Trustee agrees to comply with all provisions in such letter with respect to the giving of notices thereunder by the Trustee. In addition to the execution and delivery of such letter, upon written request of the Depository or the Trustee, the Agency may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Agency determines to terminate the Depository as such, then the Agency shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Agency and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Agency fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the

Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Article II. Prior to its termination, the Depository shall furnish the Trustee with the names and addresses of the Depository System Participants and respective ownership interests thereof.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

**Section 2.12. Applicability of Provisions to Additional Bonds.** Unless otherwise provided in a Supplemental Indenture, the provisions of Sections 2.03(c) through (g) and 2.05 through 2.11 shall apply to additional Bonds issued pursuant to a Supplemental Indenture.

## ARTICLE III

### DEPOSIT AND APPLICATION

**Section 3.01. Issuance of Bonds.** Upon the execution and delivery of this Indenture, the Agency shall execute and deliver to the Trustee the Series 2010 Bonds in the aggregate principal amount of \$8,385,000, and the Trustee shall authenticate and deliver the Series 2010 Bonds upon the Written Request of the Agency.

**Section 3.02. Application of Proceeds of Sale and Certain Other Amounts.** On the Closing Date with respect to the Series 2010 Bonds, the net proceeds of sale of the Series 2010 Bonds, being \$8,254,076.60 (representing the par amount of the Series 2010 Bonds, less a net original issue discount of \$52,438.85, and less an Underwriter's discount of \$78,484.55) shall be paid to the Trustee and applied as follows:

(a) The Trustee shall deposit in the Reserve Account the amount of \$605,787.50, which amount equals the Reserve Requirement as of the Closing Date.

(b) The Trustee shall deposit the amount of \$200,000.00 in the Costs of Issuance Fund.

(c) The Trustee shall deposit \$7,448,289.10, being the remaining amount of proceeds of the Series 2010 Bonds, in the Bond Proceeds Fund (established by Section 3.04 hereof) and shall immediately transfer such amount to the Agency for deposit in the Redevelopment Fund.

The Trustee may, in its discretion, establish a temporary fund or account to facilitate the foregoing deposits and transfers.

**Section 3.03. Costs of Issuance Fund.** There is hereby established a separate fund to be known as the "Costs of Issuance Fund", which shall be held by the Trustee in trust. The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance with respect to the Series 2010 Bonds upon submission of a Written Request of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six (6) months following the Closing Date with respect to the Series 2010 Bonds, or upon the earlier Written Request of the Agency, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Agency for deposit in the Redevelopment Fund, and the Trustee shall close the Costs of Issuance Fund.

**Section 3.04. Bond Proceeds Fund; Redevelopment Fund.** There is hereby established a separate fund to be known as the "Bond Proceeds Fund" which shall be held by the Trustee. Amounts on deposit in the Bond Proceeds Fund shall, on the Closing Date, be transferred by the Trustee to the Agency for deposit in the Redevelopment Fund (established below), and the Trustee shall close the Bond Proceeds Fund.

There is hereby established with respect to the Redevelopment Project a separate and segregated fund to be known as the "Old Town Lompoc Redevelopment Project Redevelopment Fund (the "Redevelopment Fund")", which the Agency shall cause to be maintained and which shall be held in trust by the Agency. The Agency shall deposit the amounts received from the Trustee pursuant to the preceding paragraph, as well as the good

faith deposit referenced in Section 3.02, in the Redevelopment Fund. The moneys in the Redevelopment Fund shall be maintained separate and apart from other moneys of the Agency. The moneys on deposit 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. The Agency covenants that no funds on deposit in the Redevelopment Fund shall be applied for any purpose not authorized by the Law.

**Section 3.05. Issuance of Parity Debt.** In addition to the 2004 Loan and the Series 2010 Bonds, the Agency may, by Supplemental Indenture, issue additional bonds or incur other loans, advances or indebtedness payable from Tax Revenues on a parity with the 2004 Loan and the Series 2010 Bonds to finance redevelopment activities with respect to the Redevelopment Project in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Debt subject to the following specific conditions all of which are hereby made conditions precedent to the issuance and delivery of such Parity Debt:

(a) no event of default hereunder, under any Parity Debt Instrument or under any Subordinate Debt Instrument shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in this Indenture;

(b) the Tax Revenues for the then current Fiscal Year, as set forth in a Written Certificate of the Agency, based on assessed valuation of property in the Project Area as evidenced in the written records of the County, shall be at least equal to 140% of Maximum Annual Debt Service until such time as the base year assessed value is less than 50% of the total assessed value, at which time this percentage shall be reduced to 125%; provided that the requirements of this subparagraph (b) will not apply to any issue of Parity Debt all of the available proceeds of which will be applied to refund existing Parity Debt in whole or in part and debt service on such refunding Parity Debt will be less than or equal to the debt service on the existing Parity Debt to be refunded in each year;

(c) in the case of Parity Debt issued as additional Bonds under a Supplemental Indenture, the amount on deposit in the Reserve Account (and any subaccounts therein) shall be increased to the Reserve Requirement taking into account the additional Bonds to be issued;

(d) principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable, and interest on such Parity Debt shall be payable on March 1 and September 1;

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

(f) the issuance of such Parity Debt shall not cause the Agency to exceed any applicable Plan Limits; and

(g) for so long as the 2004 Loan remains outstanding, the Agency shall also comply with the requirements of Section 2.06 of the 2004 Loan Agreement.

**Section 3.06. Issuance of Subordinate Debt.** The Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. Such Subordinate Debt may be payable from any assets or property of the Agency, including Tax Revenues, on a subordinate basis to the payment of debt service on the Bonds, provided that the issuance of such Subordinate Debt shall not cause the Agency to exceed any applicable Plan Limits.

**Section 3.07. 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 his obligation with respect to the Redevelopment Project.

## ARTICLE IV

### SECURITY OF BONDS; FLOW OF FUNDS

**Section 4.01. Security of Bonds; Equal Security.** Except as provided in Section 6.06, the 2004 Loan, the Series 2010 Bonds and any other Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues and the moneys in the Special Fund, and the 2004 Loan, the Series 2010 Bonds and any additional Bonds shall also 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 Redemption Account and the Reserve Account 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 or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this 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.

**Section 4.02. Special Fund; Deposit of Tax Revenues.** There is hereby continued the "Special Fund" established under the 2004 Loan Agreement. The Agency shall transfer all of the Tax Revenues received in any Bond Year to the Special Fund promptly upon receipt thereof by the Agency, until such time during such Fiscal Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred for deposit in such Bond Year (i) for deposit under the 2004 Loan Agreement for the payment of the 2004 Loan, (ii) for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to Section 4.03 hereof and, if applicable, and (iii) with respect to any Parity Debt other than additional Bonds pursuant to the terms of the applicable Parity Debt Instrument. If the amount of Tax Revenues available in such 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 pro rata based on the full amounts required to be so deposited.

All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year pursuant to the preceding paragraph of this Section 4.02 shall be released from the pledge, security interest and lien hereunder for the security of the 2004 Loan, the Bonds and any additional Parity Debt and may be applied by the Agency for any lawful purpose of the Agency, including but not limited to the payment of Subordinate Debt, or the payment of any amounts due and owing to the United States of America pursuant to Section 5.14. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable hereunder and under any Supplemental Indenture or Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in this Indenture and in any Supplemental Indenture or Parity Debt Instrument.

**Section 4.03. Deposit of Amounts by Trustee.** There is hereby established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee hereunder in trust. Moneys in the Special Fund shall be transferred by the Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are hereby established in the Debt Service Fund, and in the following order of priority (provided further that, if on the fifth (5th) Business Day prior to the date the Agency is required to transfer amounts on deposit in the Special Fund to the Trustee there are not amounts on deposit therein sufficient to make the following deposits, taking into accounts amounts required to be transferred with respect to Parity Debt other than Bonds, the Agency shall immediately notify the Trustee of the amount of any such insufficiency):

(a) Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, 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 contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. 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 next succeeding 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 redeemed prior to maturity pursuant to this Indenture).

(b) Principal Account. On or before the 5th Business Day preceding September 1 in each year beginning September 1, 2011, 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 contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Serial Bonds and Outstanding Term Bonds, including pursuant to mandatory sinking account redemption, on the next September 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next September 1 on all of the Outstanding Serial Bonds and Term 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 Serial Bonds and the Term Bonds, including by mandatory sinking account redemption, as the same shall become due and payable.

(c) Reserve Account. 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 and the Principal 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 hereunder, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before the 5th Business Day preceding each March 1 and September 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 this Section 4.03 or, (ii) if the Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by this Section 4.03, then, at the Written Request of the Agency, to the Agency for deposit in the Redevelopment Fund.

The Agency shall 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 Series 2010 Bonds or any other Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes 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 deposited in the Redevelopment Fund and used for the purposes thereof. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this subsection (c). Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) 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. If the Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to Sections 4.03(a) or 4.03(b) of this Indenture. If the Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to Sections 4.03(a) or 4.03(b) of this Indenture shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one particular issue of Bonds, a separate subaccount in the Reserve Account may be established for such issue, and the calculation of the Reserve Requirement with respect to all other Bonds shall exclude the debt service on such issue of Bonds. Additionally, the Reserve Account may be maintained in the form of one combined Reserve Account or in the form of one more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of Bonds in conformity with applicable provisions of the Code to the extent directed by the Agency in writing to the Trustee.

(d) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to Section 2.03(a), the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Agency pursuant to Section 2.03(a) for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Series 2010 Bonds and on other Bonds to be redeemed on such date pursuant to Section 2.03(a) or a similar provision of a Supplemental Indenture. 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 Series 2010 Bonds and on such other Bonds to be redeemed pursuant to Section 2.03(a) or a similar provision of a Supplemental Indenture on the date set for such redemption. Interest due on the Series 2010 Bonds or such other Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such Series 2010 Bonds or such other Bonds, the Trustee may, at the direction of the Agency, apply amounts deposited or otherwise to be deposited in the Redemption Account to the purchase of the Series 2010 Bonds or such other Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on such Series 2010 Bonds or such other Bonds, which is payable from the Interest Account) as shall be directed by the Agency.

## ARTICLE V

### OTHER COVENANTS OF THE AGENCY

**Section 5.01. Punctual Payment.** The Agency shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds together with the premium thereon, if any, in strict conformity with the terms of the Bonds and of this Indenture. The Agency shall faithfully observe and perform all of the conditions, covenants and requirements of this Indenture, all Supplemental Indentures and the Bonds. 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.

**Section 5.02. Limitation on Additional Indebtedness; Against Encumbrances.** The Agency hereby covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only the 2004 Loan, the Series 2010 Bonds, any Parity Debt and any Subordinate Debt. The Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the 2004 Loan and the Bonds superior or equal to the pledge and lien herein created for the benefit of the 2004 Loan and the Bonds.

**Section 5.03. Extension of Payment.** The Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

**Section 5.04. Payment of Claims.** The Agency shall promptly 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 other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

**Section 5.05. Books and Accounts; Financial Statements.** The Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Redevelopment Fund 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 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared, within 180 days after the close of each Fiscal Year so long as the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements of Tax Revenues 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 Agency

shall promptly furnish a copy of such financial statements to the Trustee and to any Owner upon reasonable request and at the expense of such Owner. In addition, the Agency shall deliver to the Trustee annually, a Written Certificate of the Agency and a written certificate or opinion of an Independent Accountant stating that the Agency is in compliance with its obligations hereunder.

**Section 5.06. 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 Closing Date with respect to the Series 2010 Bonds, the Bonds shall be incontestable by the Agency.

**Section 5.07. Payments of Taxes and Other Charges.** Except as otherwise provided herein, 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 Redevelopment Project, or upon the revenues therefrom 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.

**Section 5.08. Taxation of Leased Property.** All amounts derived by the Agency pursuant to Section 33673 of the Law with respect to the lease of property for redevelopment shall be treated as Tax Revenues for all purposes of this Indenture.

**Section 5.09. Disposition of Property.** The Agency will not participate in the detachment of land from the Project Area or 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 this Indenture) so that such detachment or disposition shall, when taken together with other such detachments or dispositions, (i) aggregate more than 10% of the assessed value of property in the Project Area or (ii) would cause the amount of Tax Revenues to be received by the Agency in any succeeding Fiscal Year to fall below 140% of Maximum Annual Debt Service (if at the time of the proposed disposition and considering such disposition, the base year assessed value of the Project Area is less than 50% of the total assessed value of the project area, then 140% shall be reduced to 125%).

**Section 5.10. Maintenance of Tax Revenues.** The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and, in the case of amounts payable by the State, appropriate officials of the State. The Agency shall not undertake proceedings for amendment of the Redevelopment Plan if such amendment shall result in payments to one or 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 debt service on the Bonds. Additionally, the Agency shall not approve any amendment to the Redevelopment Plan that would, in and of itself, cause the amount of Tax Revenues to be received by the Agency in any succeeding Fiscal Year to fall below 125% of Maximum Annual Debt Service.

**Section 5.11. 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 Series 2010 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 2010 Bonds would have caused the Series 2010 Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

**Section 5.12. Private Activity Bond Limitation.** The Agency shall assure that the proceeds of the Series 2010 Bonds are not so used as to cause the Series 2010 Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

**Section 5.13. 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 Series 2010 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

**Section 5.14. Rebate Requirement.** The Agency shall take any and all actions necessary to assure compliance with section 148(f) of the 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 Series 2010 Bonds. The first such payment shall occur not later than 60 days after the end of the fifth Bond Year, which ends on September 1, 2015.

**Section 5.15. Maintenance of Tax-Exemption.** The Agency shall take all actions necessary to assure the exclusion of interest on the Series 2010 Bonds from the gross income of the Owners of the Series 2010 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Series 2010 Bonds.

**Section 5.16. Compliance with the Law; Low and Moderate Income Housing Fund.** The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Law, including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or Section 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Redevelopment Project. Without limiting the generality of the foregoing, the Agency covenants that it shall deposit or cause to be deposited in the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Law, all amounts when, as and if required to be deposited therein pursuant to the Law.

**Section 5.17. Management and Operations of Properties.** The Agency will manage and operate all properties owned by the Agency and comprising any part of the Redevelopment Project, in a sound and businesslike manner, and will keep such properties insured at all times in conformity with sound business practice.

**Section 5.18. Plan Limits.** The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limits 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 outstanding Bonds and any outstanding Parity Debt when due.

**Section 5.19. Continuing Disclosure.** The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be an Event of Default hereunder. However, any

Participating Underwriter or any holder or beneficial owner of the Series 2010 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under this Section 5.19.

**Section 5.20. Further Assurances.** The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

**Section 5.21. Qualified Small Issue.** The Agency hereby designates the Series 2010 Bonds for purposes of paragraph (3) of section 265(b) of the Code and represents that not more than \$30,000,000 aggregate principal amount of obligations the interest on which is excludable (under section 103(a) of the Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in section 141 of the Code, except certain qualified 501(c)(3) bonds, as defined in section 145 of the Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including the Bonds, has been or will be issued by the Agency, including all subordinate entities of the Agency, during the calendar year 2010.

## ARTICLE VI

### THE TRUSTEE

#### Section 6.01. Duties, Immunities and Liabilities of Trustee.

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

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

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving the Owners notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing, with notice of such appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction at the expense of the Agency for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing, acknowledging and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and

certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Agency shall cause either the predecessor Trustee or the successor Trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which then has a current rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books.

(e) If an Event of Default hereunder occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in Section 6.03(e) hereof, then the Trustee shall immediately give written notice thereof, by first-class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Agency to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

(f) The Agency agrees that, so long as any Bonds or any Parity Debt are Outstanding, the Trustee shall be a financial institution having a corporate trust office in the State, having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such financial institution publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (f), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

**Section 6.02. Merger or Consolidation.** Any bank or trust company into which the Trustee may be merged or converted or with which may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under subsection (f) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

### **Section 6.03. Liability of Trustee.**

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of this Indenture or of the security for the Bonds or the tax status of interest thereon nor shall incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or misconduct. The Trustee shall not be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee and its officers and employees may become the Owner of any Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made by a responsible employee or officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

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

(d) The Trustee shall not be liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or misconduct of the Trustee. Where the Trustee is given the permissive right to do things enumerated in this Indenture, such right shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer shall have actual knowledge thereof, or shall have received written notice thereof from the Agency at its Principal Corporate Trust Office. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that no Event of Default has occurred and is continuing under this Indenture. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by any other party of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee may rely conclusively on the Agency's certificates to establish the Agency's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Tax Revenues into the Special Fund and the investment and application of moneys on deposit in the Special Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(f) The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Agency or with respect to the observance or performance by the Agency of the other conditions, covenants and terms contained in this Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Agency pursuant to this Indenture or otherwise.

(g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

(h) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it hereunder.

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

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

**Section 6.04. Right to Rely on Documents and Opinions.** The Trustee shall have no liability in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, facsimile transmission, electronic mail, or other paper or document reasonably believed by it to be genuine and to have been signed or prescribed by the proper party or parties, and shall not be required to make any investigation into the facts or matters contained thereon. The Trustee may consult with counsel, including, without limitation, counsel of or to the Agency, with regard to legal questions, and, in the absence of negligence or intentional misconduct by the Trustee, the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

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

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

**Section 6.05. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times upon reasonable notice to the inspection of and copying by the Agency and any Owner, and their agents and representatives duly authorized in writing, during regular business hours and under reasonable conditions.

**Section 6.06. Compensation and Indemnification.** The Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture in accordance with the letter proposal from the Trustee approved by the Agency and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture. The Trustee shall have a lien on the Tax Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

The Agency further covenants and agrees to indemnify, defend and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur to the extent arising out of or in connection with the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Agency and the rights of the Trustee under this Section 6.06 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

**Section 6.07. Deposit and Investment of Moneys in Funds.** Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account, the Redemption Account and the Costs of Issuance Fund shall be invested by the Trustee in Permitted Investments as directed by the Agency in the Written Request of the Agency filed with the Trustee, except that moneys in the Reserve Account shall not be invested in Permitted Investments having a maturity of more than five (5) years, unless any such Permitted Investment is described in clause (g) of the definition thereof. In the absence of any such Written Request of the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. The Trustee shall be entitled to rely conclusively upon the written instructions of the Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the above list which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Permitted Investment obtained at the Agency's expense. Moneys in the Special Fund and the Redevelopment Fund may be invested by the Agency in any obligations in which the Agency is legally authorized to invest its funds. 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 held by the Trustee hereunder shall be deposited in the Interest Account; *provided, however,* that all interest or gain from the

investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account only to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Agency or otherwise made in accordance with this Section. For investment purposes only, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately.

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

All moneys held by the Trustee shall be held in trust, but need not be segregated from other funds unless specifically required by this Indenture. Except as specifically provided in this Indenture, the Trustee shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the Agency for earnings derived from funds that have been invested.

Investments on deposit in the funds and accounts hereunder shall be valued on each February 1 and August 1.

The Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued by the Agency at their present value (within the meaning of section 148 of the Code). Investments on deposit in the Reserve Account shall be valued by the Agency at their present value (within the meaning of Section 148 of the Code); provided as to any such valuation made by the Trustee, the Trustee may utilize computerized securities pricing services that may be available to it including those available through its regular accounting system.

**Section 6.08. Accounting Records and Financial Statements.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds made by it and all funds and accounts held by the Trustee established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Agency upon reasonable prior notice, at reasonable hours and under reasonable circumstances. The Trustee shall furnish to the Agency, on at least a monthly basis, an accounting of all transactions in the form of its customary statements relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to this Indenture.

**Section 6.09. Appointment of Co-Trustee or Agent.** It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or

in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-trustee. The following provisions of this Section 6.09 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them; provided, however, in no event shall the Trustee be responsible or liable for the acts or omissions of any co-trustee.

Should any instrument in writing from the Agency be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

**Section 6.10. Other Transactions with Agency.** The Trustee, either as principal or agent, may engaged in or be interested in any financial or other transaction with the Agency.

## ARTICLE VII

### MODIFICATION OR AMENDMENT OF THIS INDENTURE

**Section 7.01. Amendment With And Without Consent of Owners.** This Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any 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 Agency in this 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 Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this 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, in the reasonable determination of the Agency, materially adversely affect the interests of the Owners; or

(c) to provide for the issuance of Parity Debt in accordance with Section 3.05; or

(d) to amend any provision hereof relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or

(e) to comply with the requirements of a provider of a Qualified Reserve Account Credit Instrument.

Except as set forth in the preceding paragraph, this 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 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 Agency to pay the principal, interest, or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification.

**Section 7.02. Effect of Supplemental Indenture.** From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto 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 this Indenture for any and all purposes.

**Section 7.03. Endorsement or Replacement of Bonds After Amendment.** After the effective date of any amendment or modification hereof pursuant to this Article VII, the Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Agency, as to such amendment or modification and in that case upon demand of the Agency the Owners of such Bonds shall present such Bonds for that purpose at the Principal Corporate Trust Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Agency may determine that new Bonds shall be prepared at the expense of the Agency and executed in exchange for any or all of the Bonds, and in that case, upon demand of the Agency, the Owners of the Bonds shall present such Bonds for exchange at the Principal Corporate Trust Office of the Trustee, without cost to such Owners.

**Section 7.04. Amendment by Mutual Consent.** The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

**Section 7.05. Opinion of Counsel.** Prior to executing any Supplemental Indenture, the Trustee shall be furnished an opinion of counsel, upon which it may conclusively rely to the effect that all conditions precedent to the execution of such Supplemental Indenture under this Indenture have been satisfied and such Supplemental Indenture is authorized and permitted under this Indenture and does not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or adversely affect the exemption of interest on the Bonds from personal income taxation by the State.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF OWNERS

**Section 8.01. Events of Default and Acceleration of Maturities.** The following events shall constitute Events of Default hereunder:

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

(b) if default shall be made by the Agency in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of 30 days following receipt by the Agency of written notice from the Trustee or from any Owner (with a copy of said notice delivered to the Trustee) of the occurrence of such default, provided that if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an event of default if corrective action is instituted by the Agency within such 30-day period and the Agency thereafter diligently and in good faith cures such failure in a reasonable period of time; or

(c) If the Agency files a petition 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 will approve a petition by the Agency 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 will approve a petition by the Agency, 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 will assume custody or control of the Agency or of the whole or any substantial part of its property.

If an Event of Default has occurred under this Section and is continuing, the Trustee, may, and, if requested in writing by the Owners of a majority in aggregate 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 this Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of Section 8.06, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Immediately upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Agency by telephone promptly 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 (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, 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, with the written consent of a majority in aggregate principal amount of the Owners of the Bonds, 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), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) 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 Trustee shall promptly give written notice of the foregoing to the Owners of all Bonds then Outstanding, and with the prior written approval of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all 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.

**Section 8.02. Application of Funds Upon Acceleration.** All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder upon the date of the declaration of acceleration as provided in Section 8.01, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in this Article VIII, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, as applicable, with interest on the overdue principal, and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), 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 principal and interest without preference or priority, ratably to the aggregate of such principal and interest.

**Section 8.03. 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 hereunder, whether upon its own discretion or upon the request of the Owners of a majority in 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 in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

**Section 8.04. Limitation on Owner's Right to Sue.** No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Agency and the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all 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 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 hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; 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 this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this 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 of this Section or any other provision of this Indenture.

**Section 8.05. Non-Waiver.** Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest and redemption premium (if any) on the Bonds to the respective Owners on the respective Interest Payment Dates, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners or the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner or the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner 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, and every power and remedy conferred upon the Owners and the Trustee by the Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners or the Trustee, the Agency, the Trustee and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

**Section 8.06. Actions by Trustee as Attorney-in-Fact.** Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds or Parity Debt shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners 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 as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, *provided, however,* the Trustee shall have no duty or obligation to exercise any such right or remedy unless it has been indemnified to its satisfaction from any loss, liability or expense (including fees and expenses of its outside counsel and the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel).

**Section 8.07. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the 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 hereunder 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 Law or any other law.

**Section 8.08. Determination of Percentage of Bond Owners.** Whenever in this Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be calculated on the basis of the principal amount of the Outstanding Bonds determined as of the next succeeding Interest Payment Date.

## ARTICLE IX

### MISCELLANEOUS

**Section 9.01. Benefits Limited to Parties.** Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Agency, the Trustee and the Owners, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Trustee and the Owners.

**Section 9.02. Successor is Deemed Included in All References to Predecessor.** Whenever in this Indenture or any Supplemental Indenture either the Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Agency or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 9.03. Discharge of Indenture.** If the Agency shall pay and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, interest and redemption premiums, or;

(iii) by irrevocably depositing with the Trustee or an escrow agent, in trust, 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 the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion thereof (including all principal, interest and redemption premiums) at or before maturity;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Section 2.03(c) 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 Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the Agency under this Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Agency hereunder with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds hereunder, (c) the obligations of the Agency under Section 6.06 hereof, and (d) the obligation of the Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. In the event the Agency shall, pursuant to the foregoing provision, 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.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee pursuant to Section 6.06 shall be paid over to the Agency.

**Section 9.04. Execution of Documents and Proof of Ownership by Owners.** Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by such Owner's attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof shall be proved by the Registration Books.

Any demand, request, direction, consent, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Agency or the Trustee and in accordance therewith, provided, however, that the Trustee shall not be deemed to have knowledge that any Bond is owned by or for the account of the Agency unless the Agency is the registered Owner or the Trustee has received written notice that any other registered Owner is such an affiliate.

**Section 9.05. Disqualified Bonds.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Agency or the City (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

**Section 9.06. Waiver of Personal Liability.** No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

**Section 9.07. Destruction of Cancelled Bonds.** Whenever in this Indenture provision is made for the surrender to the Trustee of any Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, the Trustee shall destroy such bonds and upon request of the Agency provide the Agency a certificate of destruction. The Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

**Section 9.08. Notices.** Any notice, request, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or upon receipt when mailed by first class, registered or certified mail, postage prepaid, or sent by facsimile, addressed as follows:

If to the Agency: Lompoc Redevelopment Agency  
100 Civic Center Plaza  
Lompoc, California 93436  
Attention: Executive Director  
Facsimile: (805) 875-8378

If to the Trustee: U.S. Bank National Association  
633 West Fifth Street  
LM-CA-T24T  
Los Angeles, California 90071  
Attention: Corporate Trust Department  
Ref: Lompoc RDA TABS 2010  
Facsimile: (213) 615-6196

The Agency and the Trustee may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**Section 9.09. Partial Invalidity.** If any Section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The Agency hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the Trustee is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Trustee hereunder shall, pending appointment of a successor Trustee in accordance with the provisions of Section 6.01 hereof, be assumed by and vest in the Treasurer of the Agency in trust for the benefit of the Owners. The Agency covenants for the direct benefit of the Owners that its Treasurer in such case shall be vested with all of the rights and powers of the Trustee hereunder, and shall assume all of the responsibilities and perform all of the duties of the Trustee hereunder, in trust for the benefit of the Bonds, pending appointment of a successor Trustee in accordance with the provisions of Section 6.01 hereof.

**Section 9.10. Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Agency for the payment of the principal of and interest and redemption premium (if any) on of such Bonds.

**Section 9.11. Execution in Counterparts.** This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

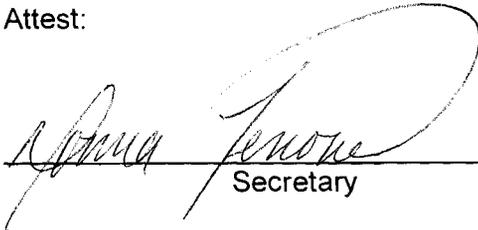
**Section 9.12. Governing Law.** This Indenture shall be construed and governed in accordance with the laws of the State.

IN WITNESS WHEREOF, the LOMPOC REDEVELOPMENT AGENCY has caused this Indenture to be signed in its name by its Executive Director and attested by its Secretary, and U.S. BANK NATIONAL ASSOCIATION in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

LOMPOC REDEVELOPMENT AGENCY

By:   
Executive Director

Attest:

  
Secretary

U. S. BANK NATIONAL ASSOCIATION, as  
*Trustee*

By: \_\_\_\_\_  
Authorized Officer

IN WITNESS WHEREOF, the LOMPOC REDEVELOPMENT AGENCY has caused this Indenture to be signed in its name by its Executive Director and attested by its Secretary, and U.S. BANK NATIONAL ASSOCIATION in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

LOMPOC REDEVELOPMENT AGENCY

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

Attest:

\_\_\_\_\_  
Secretary

U. S. BANK NATIONAL ASSOCIATION, as  
*Trustee*

By:  \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**[FORM OF SERIES 2010 BOND]**

**UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF ALAMEDA**

**LOMPOC REDEVELOPMENT AGENCY  
OLD TOWN LOMPOC REDEVELOPMENT PROJECT  
TAX ALLOCATION BOND, SERIES 2010**

**INTEREST RATE:      MATURITY DATE:      DATED DATE:      CUSIP:**  
                                 September 1, \_\_\_\_\_      June 29, 2010

**REGISTERED OWNER: CEDE & CO.**

**PRINCIPAL SUM:      DOLLARS**

The LOMPOC REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California (the "Agency"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns (the "Registered Owner"), on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond, unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th day of the month immediately preceding an Interest Payment Date (the "Record Date"), in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before February 15, 2011, in which event it shall bear interest from the Dated Date above; provided however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, until payment of such Principal Sum in full, at the Interest Rate per annum stated above, payable semiannually on March 1 and September 1 in each year, commencing March 1, 2011 (each an "Interest Payment Date"), calculated on the basis of 360-day year comprised of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable upon surrender of this Bond at the corporate trust office of U.S. BANK NATIONAL ASSOCIATION in St. Paul, Minnesota, as trustee (the "Trustee"), or at such other place designated by the Trustee (the "Principal Corporate Trust Office"). Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books maintained by the Trustee as of the Record Date for such Interest Payment Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of Bonds in the aggregate principal amount of \$1,000,000 or more upon written instructions of any such registered owner filed with the Trustee for that purpose prior to the Record Date preceding the applicable Interest Payment Date. This Bond is one of a duly authorized issue of bonds of the Agency designated as "Lompoc Redevelopment Agency Old

Town Lompoc Redevelopment Project Tax Allocation Bonds, Series 2010" (the "Bonds"), of an aggregate principal amount of \$8,385,000, all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, maturities, interest rates, or redemption and other provisions) and all issued pursuant to the provisions of the Community Redevelopment Law, being Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law"), and pursuant to an Indenture of Trust, dated as of June 1, 2010, entered into by and between the Agency and the Trustee (the "Indenture"), providing for the issuance of the Bonds. The Bonds are being issued in the form of registered Bonds without coupons. Additional bonds, or other obligations may be issued on a parity with the Bonds, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Agency) and all indentures supplemental thereto and to the Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues (as that term is defined in the Indenture), and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees. Capitalized terms not otherwise defined herein shall have the meanings given them in the Indenture.

The Bonds have been issued by the Agency for the purpose of providing funds to finance certain redevelopment activities with respect to its Old town Lompoc Redevelopment Project Area (the "Project Area") and to pay certain expenses of the Agency in issuing the Bonds.

The Bonds are special obligations of the Agency and this Bond and the interest hereon and on all other Parity Debt and the interest thereon (to the extent set forth in the Indenture), are payable from, and are secured by a pledge of, security interest in and lien on the Tax Revenues derived by the Agency from the Project Area.

There has been created and will be maintained by the Agency, the Special Fund (as defined in the Indenture) into which Tax Revenues shall be deposited and from which the Agency shall transfer amounts to the Trustee for payment, when due, of the principal of and the interest and redemption premium, if any, on the Bonds and any additional Parity Debt as defined in the Indenture. As and to the extent set forth in the Indenture, all such Tax Revenues and the moneys in the Special Fund (as such terms are defined in the Indenture) are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture and the Law, for the security and payment or redemption of, including any premium upon early redemption, and for the security and payment of interest on, the Bonds and any additional Parity Debt. In addition, the Bonds shall be additionally secured at all times 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 Reserve Account and the Redemption Account (as such terms are defined in the Indenture). Except for the Tax Revenues and such moneys, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium, if any, on the Bonds.

The Series 2010 Bonds maturing on or before September 1, 2018, are not subject to optional redemption prior to maturity. The 2010 Bonds maturing on and after September 1, 2019, are subject to redemption, at the option of the Agency, on any date on or after September 1, 2018, as a whole or in part, by such maturities as determined by the Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal

amount of 2010 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, at the following redemption prices:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2018 and prior to September 1, 2019	101.0%
September 1, 2019 and prior to September 1, 2020	100.5%
September 1, 2020 and any date thereafter	100.0%

The Series 2010 Bonds that are Term Bonds maturing September 1, 2031 and September 1, 2039 shall also be subject to mandatory redemption in whole, or in part by lot, on September 1 in each year, commencing September 1, 2030 and September 1, 2032, respectively, as set forth below, from sinking fund payments made by the Agency to the Principal Account pursuant to Section 4.03(b), at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table; provided however, that (x) in lieu of redemption thereof such Term Bonds may be purchased by the Agency pursuant to Section 2.03(g) hereof, and (y) if some but not all of such Term Bonds have been redeemed pursuant to subsection (a) above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such sinking fund payments in integral multiples of \$5,000 as determined by the Agency (notice of which determination shall be given by the Agency to the Trustee).

**Term Bonds of 2031**

<u>September 1</u>	<u>Principal Amount</u>
2030	\$335,000
2031(Maturity)	355,000

**Term Bonds of 2039**

<u>September 1</u>	<u>Principal Amount</u>
2032	\$375,000
2033	400,000
2034	425,000
2035	450,000
2036	480,000
2037	505,000
2038	535,000
2039 (Maturity)	570,000

As provided in the Indenture, notice of redemption shall be given by first class mail no less than 30 nor more than 60 days prior to the redemption date to the respective registered owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books maintained by the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption.

The Agency 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 canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Agency and the Trustee shall have no liability to the Owners 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 and to the same recipients as the original notice of redemption was sent.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered Bond or Bonds, of any authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. The Trustee may refuse to transfer or exchange (a) any Bond during the 15 days prior to the date established for the selection of Bonds for redemption, or (b) any Bond selected for redemption.

The Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Agency and the Trustee shall not be affected by any notice to the contrary.

The rights and obligations of the Agency and the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall (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 premiums (if any) at the time and place and at the rate and in the currency provided herein of any Bond without the express written consent of the registered owner of such Bond, (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.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Agency or the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized

representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

This Bond is not a debt, liability or obligation of the City of Lompoc, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than those pledged by the Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the Law and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Lompoc Redevelopment Agency has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and attested by the facsimile signature of its Secretary, all as of the Dated Date set forth above.

LOMPOC REDEVELOPMENT AGENCY

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

ATTEST:

\_\_\_\_\_  
Secretary

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Indenture.

Authentication Date: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By: \_\_\_\_\_  
Authorized Signatory

**ABBREVIATIONS**

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or tax regulations:

TEN COM --	as tenants in common	UNIF GIFT MIN ACT _____	Custodian _____
TEN ENT --	as tenants by the entireties	(Cust.)	(Minor)
JT TEN --	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____	(State)
COMM PROP --	as community property		

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED  
THOUGH NOT IN THE LIST ABOVE

**(FORM OF ASSIGNMENT)**

For value received the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoints(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

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

Signatures Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor.

Note: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2010 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, and the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*

**\$8,385,000**

**LOMPOC REDEVELOPMENT AGENCY  
(Santa Barbara County, California)  
Old Town Lompoc Redevelopment Project  
Tax Allocation Bonds, Series 2010  
(Bank Qualified)**

**Dated: Date of Delivery**

**Due: September 1, as shown on inside cover**

**Issuance.** The tax allocation bonds captioned above (the "Bonds") are being issued by the Lompoc Redevelopment Agency (the "Agency") under the California Community Redevelopment Law, constituting Part 1, Division 24 (commencing with Section 33000) of the California Health and Safety Code (the "Redevelopment Law"), and an Indenture of Trust, dated as of June 1, 2010 (the "Indenture"), by and between the Agency and U.S. Bank National Association, Los Angeles, California, as trustee (the "Trustee"). See "INTRODUCTION" and "THE BONDS – Authority for Issuance."

**Purposes.** The Bonds are being issued to fund redevelopment activities of benefit to the Agency's Old Town Lompoc Redevelopment Project Area (the "Project Area"). A portion of the proceeds of the Bonds will also be used to fund a debt service reserve account and to pay costs of issuance. See "FINANCING PLAN."

**Book-Entry Only.** The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Bonds. See "THE BONDS – Description" and "APPENDIX H – Book Entry Only System."

**Payments.** Interest on the Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2011. Payments of principal of and interest on the Bonds will be made by the Trustee to DTC for subsequent disbursement to the Beneficial Owners, so long as DTC or its nominee remains the registered owner of the Bonds. See "THE BONDS – Description."

**Redemption.** The Bonds are subject to optional and mandatory sinking fund redemption prior to their maturity under certain conditions described in this Official Statement. See "THE BONDS – Redemption"

**Security and Sources of Payment.** The Bonds are special obligations of the Agency and are payable from Tax Revenues (as defined in this Official Statement) consisting primarily of tax increment derived from property in the Project Area and allocated to the Agency under the Redevelopment Law. No funds or properties of the Agency, other than the Tax Revenues are pledged to secure the Bonds. See "SECURITY FOR THE BONDS." The receipt of Tax Revenues is subject to certain risks and limitations. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES."

**LIMITED OBLIGATION. THE BONDS ARE NOT A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF LOMPOC (THE "CITY"), THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, OTHER THAN THE AGENCY, IS LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. NEITHER THE AGENCY, THE CITY NOR ANY PERSONS EXECUTING THE Bonds ARE LIABLE PERSONALLY ON THE Bonds BY REASON OF THEIR ISSUANCE.**

**MATURITY SCHEDULE  
(see inside cover)**

***This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making any investment decision. Investment in the Bonds involves risks which may not be appropriate for some investors. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES" for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.***

*The Bonds will be sold and awarded by competitive bid held on June 15, 2010, subject to the conditions set forth in the Official Notice of Sale. The Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall is also serving as Disclosure Counsel to the Agency. Certain legal matters will be passed upon for the Agency by its counsel. It is anticipated that the Bonds will be available for delivery to DTC on or about June 29, 2010.*

The date of this Official Statement is: June 15, 2010

## MATURITY SCHEDULE

**\$3,955,000 Serial Bonds  
(Base CUSIP†: 541763)**

<b>Maturity (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP†</b>
2011	\$ 70,000	2.000%	1.750%	100.287%	AA6
2012	150,000	2.250	2.250	100.000	AB4
2013	155,000	2.750	2.750	100.000	AC2
2014	155,000	3.250	3.250	100.000	AD0
2015	165,000	3.625	3.625	100.000	AE8
2016	170,000	4.000	4.000	100.000	AF5
2017	175,000	4.375	4.375	100.000	AG3
2018	180,000	4.625	4.625	100.000	AH1
2019	195,000	4.875	4.875	100.000	AJ7
2020	200,000	5.000	5.000	100.000	AK4
2021	210,000	5.000	5.100	99.149	AL2
2022	225,000	5.125	5.200	99.322	AM0
2023	230,000	5.250	5.300	99.522	AN8
2024	245,000	5.250	5.400	98.519	AP3
2025	255,000	5.375	5.500	98.716	AQ1
2026	270,000	5.500	5.600	98.936	AR9
2027	285,000	5.625	5.700	99.176	AS7
2028	305,000	5.750	5.750	100.000	AT5
2029	315,000	5.750	5.800	99.416	AU2

**\$690,000 5.750% Term Bond due September 1, 2031, Yield: 5.850%, Price: 98.785%  
CUSIP† No. 541763 AV0**

**\$3,740,000 6.000% Term Bond due September 1, 2039, Yield: 6.050%, Price: 99.308%  
CUSIP† No. 541763 AW8**

† Copyright 2010, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. The Agency assumes no responsibility for the accuracy of these CUSIP data.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

**Estimates and Forecasts; Forward-Looking Statements.** Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Agency in any way, regardless of the level of optimism communicated in the information.

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

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

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.

# **LOMPOC REDEVELOPMENT AGENCY**

## **AGENCY BOARD**

Michael A. Siminski, *Chair*  
Cecilia Martner, *Vice Chair*  
Ann Ruhge, *Member*  
Tony Durham, *Member*  
Bob Lingl, *Member*

## **AGENCY STAFF**

Laurel M. Barcelona, *Executive Director*  
Arleen T. Pelster, *Deputy Executive Director*  
Linda R. Wertman, *Redevelopment Program Coordinator*  
Donna Terrones, *Secretary*  
Joseph W. Pannone, *General Counsel*

## **SPECIAL SERVICES**

**Bond Counsel and Disclosure Counsel**  
Jones Hall, A Professional Law Corporation  
*San Francisco, California*

**Fiscal Consultant**  
Urban Analytics, LLC  
*San Francisco, California*

**Financial Advisor**  
KNN Public Finance, A Division of Zions First National Bank  
*Oakland, California*

**Trustee**  
U.S. Bank National Association  
*Los Angeles, California*

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APPENDIX E: General Information About the City of Lompoc and Santa Barbara County

APPENDIX F: Form of Bond Counsel Opinion

APPENDIX G: Form of Continuing Disclosure Certificate

APPENDIX H: Book Entry Only System

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## OFFICIAL STATEMENT

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**\$8,385,000**  
**LOMPOC REDEVELOPMENT AGENCY**  
**(Santa Barbara County, California)**  
**Old Town Lompoc Redevelopment Project**  
**Tax Allocation Bonds, Series 2010**

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the issuance and sale by the Lompoc Redevelopment Agency (the “**Agency**”) of the tax allocation bonds captioned above (the “**Bonds**”). *Capitalized terms used but not otherwise defined in this Official Statement are defined in the Indenture. See “APPENDIX D – Summary of Certain Provisions of the Indenture.”*

### INTRODUCTION

*This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement.*

**Authority for Issuance.** The Agency is a redevelopment agency existing under the Community Redevelopment Law of the State of California (the “**State**”), constituting Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended (the “**Redevelopment Law**”). The Bonds are being issued under the Redevelopment Law and an Indenture of Trust (the “**Indenture**”), dated as of June 1, 2010, by and between the Agency and U.S. Bank National Association, Los Angeles, California, as trustee (the “**Trustee**”).

**Use of Proceeds.** The proceeds of the Bonds will be used to (i) fund certain redevelopment activities of benefit to property within the Agency's Old Town Lompoc Redevelopment Project Area (the “**Project Area**”); (ii) fund a debt service reserve account for the Bonds; and (iii) to pay the costs of issuing the Bonds. See “FINANCING PLAN.”

**Security for the Bonds.** In California, the financing and refinancing of redevelopment projects may be provided by the issuance of tax allocation bonds under the Redevelopment Law. Such bonds are payable from property taxes collected within a redevelopment project area attributable to the increase in assessed valuation of property therein, as explained in greater detail in this Official Statement.

The Bonds are payable from and secured by “**Tax Revenues**” under the Indenture, which are generally defined as certain tax increment revenues of the Agency generated from property in the Project Area and allocated to Agency under the Redevelopment Law. Tax Revenues generally include certain *ad valorem* property taxes attributable to increases in the assessed valuation of certain property (except public property and property exempt from taxation) in the Project Area over that shown on the assessment roll for the adjusted base year. Such property taxes are eligible for allocation to the Agency under the Redevelopment Law in connection with development or rehabilitation of property within the Project Area. See “SECURITY FOR THE BONDS – Tax Revenues.”

**Outstanding and Future Parity Debt.** The Bonds are secured under the Indenture by Tax Revenues on a parity with payments made by the Agency under a Loan Agreement dated as of November 1, 2004 (the “**2004 Loan Agreement**”), between the Agency and the Lompoc Public Financing Authority (the “**Authority**”) pursuant to which the Authority made a loan to the Agency in the original principal amount of \$7,350,000, which is currently outstanding in the principal amount of \$6,735,000 (the “**2004 Loan**”).

The Agency may issue additional bonds or incur other loans or indebtedness payable from Tax Revenues on a parity with the 2004 Loan and the Bonds upon the conditions set forth in the Indenture. See “SECURITY FOR THE BONDS – Issuance of Parity Debt.”

**Risk Factors.** Any future decrease in the assessed valuation of the taxable property in the Project Area, or in the applicable tax rates, could reduce the Tax Revenues allocated to the Agency and correspondingly could have an adverse impact on the ability of the Agency to pay debt service on the Bonds. See “RISK FACTORS” and “LIMITATIONS ON TAX REVENUES.”

**The Redevelopment Plan and the Project Area.** On November 20, 1984, the Agency approved and adopted Ordinance No. 1213(84) (the “**Ordinance**”), which adopted the Redevelopment Plan (the “**Redevelopment Plan**”) for the Old Town Redevelopment Project (the “**Original Area**”), which consisted of approximately 80 acres in the downtown portion of the City of Lompoc (the “**City**”). The Original Area was amended on July 14, 1998, to add approximately 872 acres, and further amended on July 16, 2002, to add an additional 85 acres, for a total of approximately 1,037 acres (collectively and as amended, the “**Project Area**”).

The Project Area is comprised of 2,247 parcels, which include residential, commercial and industrial uses. The secured assessed value of the Project Area for fiscal year 2009-10 is approximately \$516 million, and the base year secured valuation for the Project Area is approximately \$254 million. See “THE AGENCY AND THE PROJECT AREA.”

**The City.** The City is a general law city operating under the mayor/council/manager form of government. The City is located in the County of Santa Barbara (the “**County**”), on Highway 1 near the Pacific Ocean coast, approximately two hours north of Los Angeles and five hours south San Francisco. For certain information regarding the City and the County, see “APPENDIX E - General Information About the City of Lompoc and Santa Barbara County.” *The Bonds are not a debt or an obligation of the City.*

**The Agency.** The Agency was created on November 20, 1984, with the adoption of an ordinance by the City Council under the Redevelopment Law, at which time the City Council declared itself to be the governing board of the Agency. The Project Area is the only redevelopment project area of the Agency.

**References to Documents.** All references herein to the Indenture and the Bonds are qualified by the text of the Indenture, which is summarized in APPENDIX D. The most recent audited financial statements of the Agency are included in APPENDIX A.

**Forward-Looking Statements.** *All financial and other information presented in this Official Statement has been provided by the Agency or the City from their records, except for information expressly attributed to other sources. The presentation of information, including table of receipts from tax increment revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the Agency or the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.*

## FINANCING PLAN

### Use of Proceeds

A portion of the proceeds of the Bonds are expected to be used to pay all or a portion of the costs of financing redevelopment projects that meet the goals and objectives set forth in the Redevelopment Plan. The Agency expects that the redevelopment projects to be assisted from Bond proceeds will include the following:

**Community Center.** A portion of the Bond proceeds are expected to be used to fund a portion of the costs associated with relocation of the Lompoc Valley Senior Community Center. Several years ago, the City agreed to the sale of the former senior center site to the Lompoc Healthcare District for the construction of a new hospital. In 2008, the City acquired a portion of a commercial building and an adjacent lot in the Project Area for the new community center. The total cost of the project is estimated to be approximately \$7.7 million. In addition to a portion of net Bond proceeds, approximately \$3.0 million in costs are being funded from Community Development Block Grant funds. To date, approximately \$2.2 million has been expended on the project of which the Agency has provided approximately \$750,000, which is expected to be reimbursed from the proceeds of the Bonds. Design of the project is substantially complete and the City expects to award a construction contract in summer 2010.

**Aquatic Center Dehumidification Project.** Net Bond proceeds of approximately \$1.87 million are expected to be used to fund a new dehumidification system at the City's Aquatic Center, which was completed in 2005. The design of the project is nearing completion and the City expects to receive project bids in the next several months.

In addition, the proceeds of the Bonds will be used to fund a debt service reserve account for the Bonds, and to pay the costs of issuing the Bonds.

### Estimated Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Bonds are as follows:

#### SOURCES:

Principal Amount of the Bonds	\$8,385,000.00
Less: Original Issue Discount	<u>(52,438.85)</u>
Total Sources:	\$8,332,561.15

#### USES:

Deposit to Redevelopment Fund	\$7,448,289.10
Deposit to Reserve Account of the Debt Service Fund [1]	605,787.50
Deposit to Costs of Issuance Fund [2]	200,000.00
Underwriter's Discount	<u>78,484.55</u>
Total Uses:	\$8,332,561.15

[1] Represents the Reserve Requirement for the Bonds as of the Closing Date. See "SECURITY FOR THE BONDS – Reserve Account."

[2] Includes, among other costs of issuance, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees and expenses of Bond Counsel, Disclosure Counsel, the Fiscal Consultant, the Financial Advisor and other professionals, and administrative costs of the Agency and the City incurred in connection with the issuance of the Bonds.

## THE BONDS

### Authority for Issuance

The Agency is a redevelopment agency existing under the Redevelopment Law. The Bonds are being issued under the Redevelopment Law, the Indenture, a resolution of the Agency adopted on June 1, 2010 (the "**Agency Resolution**"), and a resolution of the City adopted on June 1, 2010. Under the Agency Resolution, the Bonds may be issued in a maximum principal amount of \$8,500,000.

### Description

**General Bond Terms.** The Bonds will be dated as of the Closing Date, will bear interest at the rates per annum set forth on the inside cover page of this Official Statement, and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually on March 1 and September 1 (each, an "**Interest Payment Date**"), commencing March 1, 2011.

The Bonds will be issued in denominations of \$5,000 or any integral multiple of \$5,000, so long as no Bond has more than one maturity date.

**Fully Registered Form.** The Bonds will be issued only as one fully registered bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See "APPENDIX H - Book Entry Only System" below. Ownership may be changed only upon the registration books maintained by the Trustee, as provided in the Indenture. See "- Transfer and Exchange of Bonds" below.

**Calculation of Interest.** Each Bond will bear interest from the Interest Payment Date next preceding its date of authentication, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2011, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Bonds will bear interest calculated on the basis of a 360-day year of twelve 30-day months.

**Payment of Interest and Principal.** *While the Bonds are held in the book-entry only system of DTC, all payments of principal and interest will be made to Cede & Co., as the registered Owner of the Bonds. See "APPENDIX H – Book Entry Only System".*

Interest on the Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of Bonds, which written request is on file with the Trustee as of any Record Date, interest on such Bonds will be paid on the succeeding Interest Payment Date to such account in the United States as specified in such written request.

The principal of the Bonds and any premium upon redemption are payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee.

## Redemption

**Optional Redemption.** The Bonds maturing on or before September 1, 2018, are not subject to optional redemption prior to maturity. The Bonds maturing on and after September 1, 2019, are subject to redemption, at the option of the Agency, on any date on or after September 1, 2018, as a whole or in part, by such maturities as determined by the Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, at the following redemption prices:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2018 and prior to September 1, 2019	101.0%
September 1, 2019 and prior to September 1, 2020	100.5%
September 1, 2020 and any date thereafter	100.0%

**Mandatory Sinking Fund Redemption.** The Bonds maturing on September 1, 2031 and September 1, 2039 are also subject to mandatory redemption in whole, or in part by lot, on September 1 in each year set forth below, from sinking fund payments made by the Agency to the Principal Account under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table.

However, (i) in lieu of redemption thereof the Term Bonds may be purchased by the Agency in accordance with the Indenture, and (ii) if some but not all of the Term Bonds have been redeemed through optional redemption, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (notice of which determination will be given by the Agency to the Trustee).

### Term Bonds of 2031

<u>September 1</u>	<u>Principal Amount</u>
2030	\$335,000
2031(Maturity)	355,000

### Term Bonds of 2039

<u>September 1</u>	<u>Principal Amount</u>
2032	\$375,000
2033	400,000
2034	425,000
2035	450,000
2036	480,000
2037	505,000
2038	535,000
2039 (Maturity)	570,000

**Notice of Redemption.** The Trustee on behalf and at the expense of the Agency is required to mail (by first class mail, postage prepaid) notice of any redemption at least 30 but not more than 60 days prior to the redemption date, to (i) to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services designated in a

Written Request of the Agency filed with the Trustee; but such mailing will not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. The redemption notice will state, among other matters, that further interest on such Bonds called for redemption will not accrue from and after the redemption date.

**Rescission of Redemption.** The Agency will 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 will be canceled 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 will not constitute an Event of Default under the Indenture. The Agency and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner and to the same recipients as the original notice of redemption was sent.

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

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

**Purchase in Lieu of Redemption.** In lieu of redemption of the Term Bonds, amounts on deposit in the Special Fund or in the Principal Account may also be used and withdrawn by the Agency and the Trustee, respectively, at any time, upon the Written Request of the Agency, 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 Agency may in its discretion determine. The par amount of any Term Bonds so purchased by the Agency in any 12-month period ending on July 1 in any year will be credited toward and reduce the par amount of the Term Bonds required to be redeemed through mandatory sinking fund redemption on September 1 in each year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by that July 1.

## Registration, Transfer and Exchange

*So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, registration, transfers and exchanges of Bonds will be made in accordance with DTC procedures. See APPENDIX H.*

**Registration of Bonds.** The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office, sufficient records for the registration and registration of transfer of the Bonds, which will at all times during normal business hours be open to inspection and copying by the Agency, upon reasonable prior notice to the Trustee; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, the Bonds provided in the Indenture.

**Transfer.** Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond is surrendered for transfer, the Agency will execute and the Trustee will thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, maturity and aggregate principal amount of authorized denominations.

The Trustee will collect from the Owner any tax or other governmental charge on the transfer of any Bonds pursuant to this provision of the Indenture. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer will be paid by the Agency.

The Trustee may refuse to transfer either (a) any Bonds during the period 15 days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.

**Exchange of Bonds.** The Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for Bonds of the same tenor and maturity and of other authorized denominations. The Trustee will collect any tax or other governmental charge on the exchange of any Bonds pursuant to this provision of the Indenture. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange will be paid by the Agency.

The Trustee may refuse to exchange either (a) any Bonds during the 15 days prior to the date established by the Trustee for the selection of Bonds for redemption or (b) any Bonds selected by the Trustee for redemption.

## DEBT SERVICE SCHEDULE

Scheduled debt service on the Bonds (without regard to any optional redemption), together with scheduled debt service on the 2004 Loan, are shown in the following table.

Bond Year Ending September 1	2004 Loan [1]	2010 Bonds Principal	2010 Bonds Interest	2010 Bonds Total	Parity Debt Total
2010	\$ 459,285	\$ -0-	\$ -0-	\$ -0-	\$ 459,285
2011	459,485	70,000	531,749	601,749	1,061,234
2012	458,504	150,000	452,225	602,225	1,060,729
2013	457,341	155,000	448,850	603,850	1,061,191
2014	460,998	155,000	444,588	599,588	1,060,585
2015	459,291	165,000	439,550	604,550	1,063,841
2016	456,929	170,000	433,569	603,569	1,060,498
2017	459,373	175,000	426,769	601,769	1,061,141
2018	461,173	180,000	419,113	599,113	1,060,285
2019	457,573	195,000	410,788	605,788	1,063,360
2020	458,498	200,000	401,281	601,281	1,059,779
2021	458,838	210,000	391,281	601,281	1,060,119
2022	458,518	225,000	380,781	605,781	1,064,299
2023	462,518	230,000	369,250	599,250	1,061,768
2024	460,593	245,000	357,175	602,175	1,062,768
2025	462,943	255,000	344,313	599,313	1,062,255
2026	459,313	270,000	330,606	600,606	1,059,919
2027	460,063	285,000	315,756	600,756	1,060,819
2028	459,943	305,000	299,725	604,725	1,064,668
2029	464,103	315,000	282,188	597,188	1,061,290
2030	462,303	335,000	264,075	599,075	1,061,378
2031	464,783	355,000	244,813	599,813	1,064,595
2032	461,110	375,000	224,400	599,400	1,060,510
2033	461,710	400,000	201,900	601,900	1,063,610
2034	461,340	425,000	177,900	602,900	1,064,240
2035	-0-	450,000	152,400	602,400	602,400
2036	-0-	480,000	125,400	605,400	605,400
2037	-0-	505,000	96,600	601,600	601,600
2038	-0-	535,000	66,300	601,300	601,300
2039	-0-	570,000	34,200	604,200	604,200
<b>Total [2]</b>	<b>\$11,047,235</b>	<b>\$8,385,000</b>	<b>\$9,067,543</b>	<b>\$17,452,543</b>	<b>\$28,959,063</b>

[1] Represents annual debt service through September 2 each year.

[2] Totals may not add due to independent rounding.

## SECURITY FOR THE BONDS

### Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected by a redevelopment agency within a redevelopment 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 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 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. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated.

### Allocation of Taxes

As provided in the 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 of California, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State of California and any city, county, city and county, district or other public corporation (collectively, "**Taxing Agencies**") for each Fiscal Year beginning after the effective date of the Ordinance approving the Redevelopment Plan, are divided as follows:

1. To other taxing agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior the effective date of the Ordinance (the "**Base Year Amount**") will be allocated to and, when collected, will be paid into the funds of the respective taxing agencies in the same manner as taxes by or for the 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 will be allocated to and, when collected, will be paid to the respective taxing agency, and except for non-subordinated statutory pass-through payments, that portion of the levied taxes each year in excess of the Base Year Amount will be paid into the Special Fund of the Agency to pay the principal of and interest on bonds, 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 Project Area.

When all bonds, loans, advances, and indebtedness, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in the Project Area will be paid into the funds of the respective taxing agencies as taxes on all other property are paid. See "– Tax Revenues," below.

## Security for the Bonds; Pledge of Tax Revenues

**General.** Subject to the provisions of the Indenture relating to the payment of the Trustee's fees, the 2004 Loan, the Bonds and any Parity Debt will be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues and the moneys in the Special Fund.

In addition, the 2004 Loan, the Bonds and any additional Bonds issued under a Supplemental Indenture will also 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 Redemption Account and the Reserve Account 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 the moneys held in these funds and accounts under the Indenture, no funds or properties of the Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds. See "APPENDIX D – Summary of Certain Provisions of the Indenture."

**Tax Revenues.** Under the Indenture, "Tax Revenues" are defined to mean all taxes annually allocated to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the California Constitution and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations.

Tax Revenues *exclude* the following:

(i) amounts payable by the State to the Agency under Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the California Government Code,

(ii) amounts payable by the Agency pursuant the Passthrough Agreements and pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds and any Parity Debt, and

(ii) any amounts of such taxes which are required to be deposited into the Low and Moderate Income Housing Fund in any Fiscal Year under Section 33334.3 of the Redevelopment Law, except to the extent such amounts are permitted to be applied to the payment of principal, interest and premium (if any) with respect to the Bonds or any Parity Debt.

In consideration of the acceptance of the Bonds by those who hold them from time to time, the Indenture will be deemed to be and will constitute a contract between the Agency and the Owners from time to time of the Bonds, and the covenants and agreements therein set forth to be performed on behalf of the Agency will 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.

**Redevelopment Plan Limitations.** The Agency's receipt of Tax Revenues is subject to certain limitations (the "Plan Limit") contained in the Redevelopment Plan as required by the Redevelopment Law. See "THE AGENCY AND THE PROJECT AREA –Limitations on Tax Revenues."

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate, could reduce the amount of Tax Revenues that would otherwise be available to pay debt service on the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

**LIMITED OBLIGATION.** THE BONDS ARE NOT A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY, THE CITY, THE STATE OF CALIFORNIA, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY), AND NEITHER THE COUNTY, THE CITY, THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) IS LIABLE THEREON. THE AGENCY HAS NO TAXING POWER. THE BONDS ARE REVENUE BONDS, PAYABLE EXCLUSIVELY FROM THE TAX REVENUES AND MONEYS HELD IN CERTAIN FUNDS AS PROVIDED IN THE INDENTURE. THE OBLIGATIONS OF THE AGENCY UNDER THE BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA.

#### **Special Fund; Deposit of Tax Revenues**

Under the Indenture, the Agency will continue to maintain a fund known as the "Special Fund" previously established under the 2004 Loan Agreement.

The Agency will transfer all of the Tax Revenues received in any Bond Year to the Special Fund promptly upon receipt thereof by the Agency, until such time during such Fiscal Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred for deposit in such Bond Year

- (i) for deposit under the 2004 Loan Agreement for the payment of the 2004 Loan,
- (ii) for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year under the Indenture, and,
- (iii) if applicable, with respect to any Parity Debt other than additional Bonds, under the terms of the applicable Parity Debt Instrument.

If the amount of Tax Revenues available in such Bond Year is insufficient to deposit the full amount required to be deposited as described above, then the Agency will transfer such Tax Revenues for deposit pro rata based on the full amounts required to be so deposited.

All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year as described above will be released from the pledge, security interest and lien under the Indenture for the security of the 2004 Loan, the Bonds and any additional Parity Debt, and may be applied by the Agency for any lawful purpose of the Agency, including but not limited to the payment of Subordinate Debt, or the payment of any amounts due and owing as rebate to the United States of America under the Indenture.

Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and

under any Supplemental Indenture or Parity Debt Instrument, the Agency will not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or Parity Debt Instrument.

### **Debt Service Fund**

Under the Indenture a trust fund is established, to be known as the “**Debt Service Fund**,” which will be held by the Trustee thereunder in trust. The Agency will transfer moneys in the Special Fund to the Trustee in the following respective special accounts, which are established in the Debt Service Fund, and in the following order of priority: to the Interest Account, to the Principal Account, and to the Reserve Account.

See “APPENDIX D – Summary of Certain Provisions of the Indenture” for additional information regarding the timing, amount and disposition of moneys deposited in these accounts of the Debt Service Fund.

### **Reserve Account**

***Establishment and Funding.*** Under the Indenture, a Reserve Account will be established and held by the Trustee, as described above. On the Closing Date, a portion of Bond proceeds will be deposited into the Reserve Account in the amount of the “**Reserve Requirement**,” which is defined in the Indenture to mean, as of the date of calculation by the Agency, the lesser of

- (i) the amount of Maximum Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds), and
- (ii) 125% of average Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds);

provided, that in no event will the Agency, in connection with the issuance of Bonds under a Supplemental Indenture, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit. The Reserve Requirement may be determined collectively with respect to all Bonds, or separately with respect to one or more series of Bonds.

See “APPENDIX D – Summary of Certain Provisions of the Indenture” for definitions of “Maximum Annual Debt Service” and “Annual Debt Service.”

***Transfers if Reserve Account is Below Reserve Requirement.*** If the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee will promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency will transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account.

If there is then not sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency will 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 is on deposit therein a sum at least equal to the Reserve Requirement.

**Use of Amounts in Reserve Account.** All money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account 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 will be withdrawn from the Reserve Account semiannually on or before the 5th Business Day preceding each March 1 and September 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 will be withdrawn from the Reserve Account and will 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 has caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the Written Request of the Agency, to the Agency for deposit in the Redevelopment Fund.

**Substitution of Qualified Reserve Account Credit Instrument.** The Agency will 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 a Qualified Reserve Account Credit Instrument, upon the conditions set forth in the Indenture. See "APPENDIX D – Summary of Certain Provisions of the Indenture."

### **Redemption Fund**

On or before the Business Day preceding any date on which Bonds are to be redeemed through optional redemption under the Indenture, the Trustee will withdraw from the Debt Service Fund any amount transferred by the Agency pursuant to the Indenture for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Series Bonds and on other Bonds to be redeemed on such date under the Indenture or a similar provision of a Supplemental Indenture. See "APPENDIX D – Summary of Certain Provisions of the Indenture."

### **Issuance of Parity Debt**

In addition to the 2004 Loan and the Bonds, the Agency may, by Supplemental Indenture, issue additional bonds or incur other loans, advances or indebtedness payable from Tax Revenues on a parity with the 2004 Loan and the Bonds ("**Parity Debt**") to finance redevelopment activities with respect to the Redevelopment Project in such principal amount as determined by the Agency.

The Agency may issue and deliver Parity Debt subject to the specific conditions set forth in the Indenture, including (among others) the following:

(i) No event of default under the Indenture, under any Parity Debt Instrument or under any Subordinate Debt Instrument may have occurred and be continuing, and the Agency must otherwise be in compliance with all covenants set forth in the Indenture.

(ii) The Tax Revenues for the then current fiscal year, as set forth in a Written Certificate of the Agency, based on assessed valuation of property in the Project Area as evidenced in the written records of the County, must be at least equal to 140% of Maximum Annual Debt Service until such time as the base year assessed value is less than 50% of the total assessed value, at which time this percentage will be reduced

to 125%; provided that (a) the requirements of this provision of the Indenture will not apply to any issue of Parity Debt all of the available proceeds of which will be applied to refund existing Parity Debt in whole or in part, and (b) debt service on such refunding Parity Debt will be less than or equal to the debt service on the existing Parity Debt to be refunded in each year.

(iii) In the case of Parity Debt issued as additional Bonds under a Supplemental Indenture, the amount on deposit in the Reserve Account (and any subaccounts therein) must be increased to the Reserve Requirement taking into account the additional bonds to be issued.

(iv) The issuance of such Parity Debt may not cause the Agency to exceed any applicable Plan Limits.

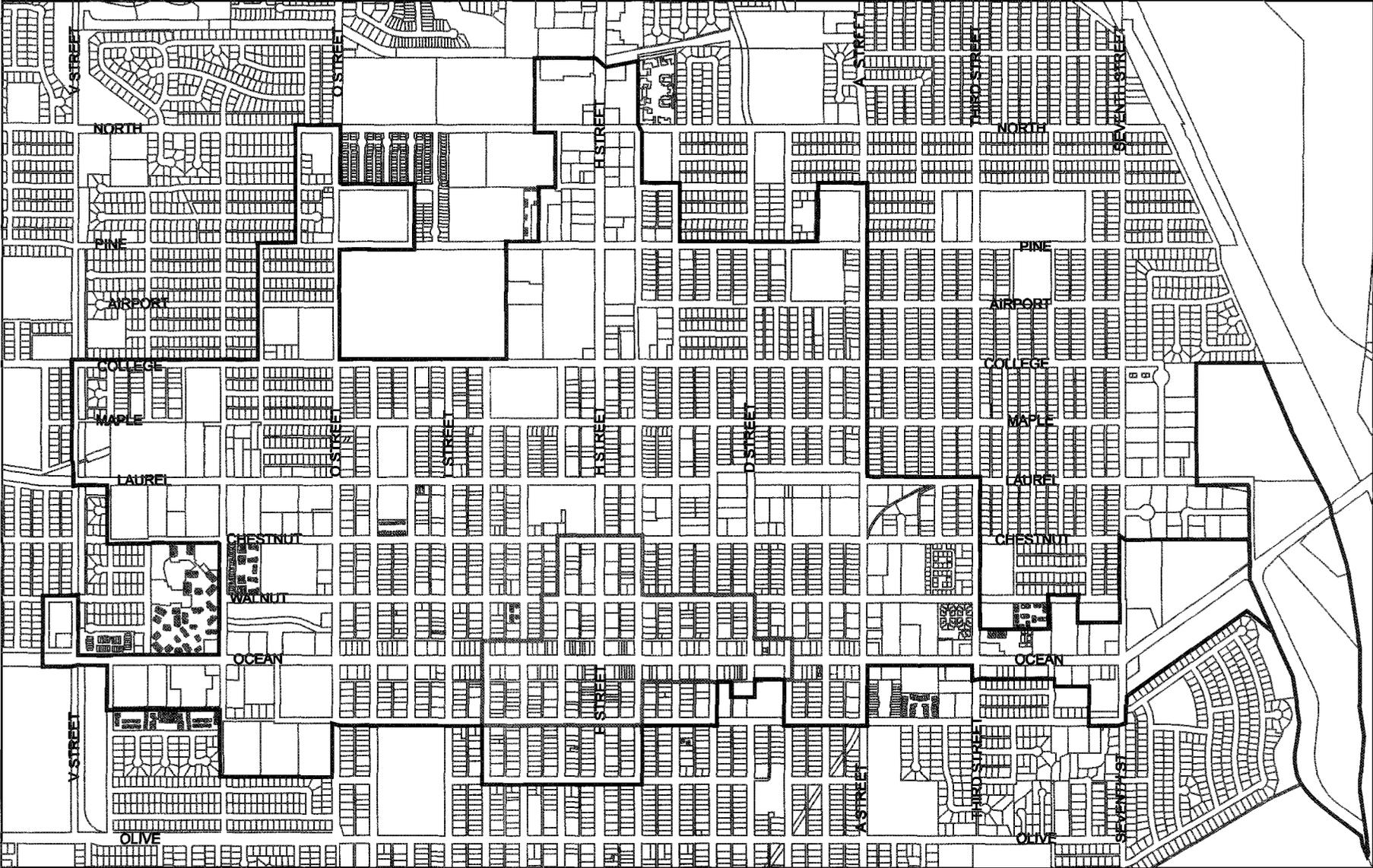
(v) For so long as the 2004 Loan remains outstanding, the Agency must also comply with the requirements of the 2004 Loan Agreement regarding the incurrence of additional parity debt.

For additional conditions that must be met for the issuance of Parity Debt, see "APPENDIX D – Summary of Certain Provisions of the Indenture."

#### **Issuance of Subordinate Debt**

Under the Indenture, the Agency may issue or incur subordinate debt ("**Subordinate Debt**") in such principal amount as may be determined by the Agency. Such Subordinate Debt may be payable from any assets or property of the Agency, including Tax Revenues, on a subordinate basis to the payment of debt service on the Bonds, provided that the issuance of such Subordinate Debt does not cause the Agency to exceed any applicable Plan Limits.

# OLD TOWN LOMPOC REDEVELOPMENT PROJECT AREA



- Original Old Town Lompoc Redevelopment Project Area
- Old Town Lompoc Redevelopment Project Area, Amendment No. 1
- Old Town Lompoc Redevelopment Project Area, Amendment No. 2

## THE AGENCY AND THE PROJECT AREA

### Authority, Personnel and Administration

**Creation.** The Agency was created on November 20, 1984, with the adoption of the Ordinance by the City Council under the Redevelopment Law. The Agency is a separate public body and exercises governmental functions in planning and carrying out redevelopment projects. The Agency is charged with the authority and responsibility of redeveloping and upgrading blighted areas of the City. All powers of the Agency are vested in its five members.

**Governance.** The City Council has designated itself as the governing board of the Agency. The City Administrator serves as Executive Director of the Agency. The Mayor serves as Chair of the Agency. The current members of the Council, their offices with Agency, and term expiration are as follows:

Name	Position	Term Expires
Michael A. Siminski	Chair	December 2010
Cecilia Martner	Vice Chair	December 2012
Ann Ruhge	Member	December 2010
Tony Durham	Member	December 2010
Bob Lingl	Member	December 2012

**Agency Administration.** The City Council, acting as the Agency Board, adopts an appropriated budget annually. 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 advances made by the City for such purpose and repays the City advances out of available tax increment revenues.

### Agency Powers

The Agency is charged with the responsibility for elimination of blight through the process of redevelopment. The Agency exercises governmental functions in carrying out projects and has sufficient broad authority to acquire, develop, administer and sell or lease property, including the right of eminent domain and the right to issue bonds and expend the proceeds, subject, however, to certain limitations set forth in the Redevelopment Plan.

The Agency can clear buildings and other improvements, can develop as a building site any real property owned or acquired, and in connection with such reconstructed and public utilities to be installed.

Redevelopment in the State of California is carried out under the Redevelopment Law. Section 33020 of the Redevelopment Law defines redevelopment as the planning, development, replanning, redesign, clearance, reconstruction or rehabilitation, or any combination of these, of all or part of a survey area and the provision of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

The Agency may, out of the funds available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities, structures or other improvements to be publicly owned and operated to the extent that such improvements are of benefit to the Project Area and no other reasonable means of financing is available. The Agency must sell or lease remaining property within a project for redevelopment by others in strict conformity with the

redevelopment plan, and may specify a period within which such redevelopment must begin and be completed.

### **Agency Financial Statements**

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.

Moss, Levy & Hartheim, LLP, Santa Maria, California (the "**Auditor**"), audited the financial statements of the Agency for the fiscal year ended June 30, 2009. The Auditor's examination was made in accordance with generally accepted auditing standards.

The audited financial statements of the Agency for the fiscal year ended June 30, 2009, are attached as APPENDIX A.

*The Agency has not requested nor did the Agency obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the Agency.*

### **Fiscal Consultant Report**

In connection with the issuance of the Bonds, the Agency has engaged Urban Analytics, LLC, San Francisco, California (the "**Fiscal Consultant**") to evaluate available tax increment revenue and provide a report (the "**Fiscal Consultant's Report**"). A full copy of the Fiscal Consultant's Report, dated June 3, 2010, is attached as APPENDIX B to this Official Statement, and should be read in its entirety.

### **The Project Area**

The project area encompassed by the Old Town Redevelopment Project was originally established in 1984 and expanded through two subsequent amendments, as further described below (collectively referred to herein as the "**Project Area.**")

**Original Area.** On November 20, 1984, the Agency adopted the Old Town Redevelopment Project (the "**Original Area**"), which consisted of approximately 80 acres in the downtown portion of the City. The purpose of establishing the Original Area was to make Agency assistance available to attract and secure new commercial development and to encourage revitalization and conservation of older, architecturally significant properties in the project area.

**Amendment No. 1.** The Original Area was amended on July 14, 1998 by Ordinance No. 1439(98) to add approximately 872 acres (the "**Amendment No. 1 Area**").

**Amendment No. 2.** On July 16, 2002 by Ordinance No. 1472(02), the Redevelopment Plan was further amended to add an additional 85 acres on the eastern edge of the City (the "**Amendment No. 2 Area**"), which included the site of a diatomaceous earth processing plant which had closed and vacated the site.

Certain information with respect to the Project Area is summarized below.

**TABLE 1  
Old Town Lompoc Redevelopment Project Area**

	Original Area	Amendment No. 1 Area	Amendment No. 2 Area
Project Area Acreage	80	872	85
Base Year	1984-85	1997-98	2001-02
Base Year Assessed Valuation	\$17,481,757	\$251,633,843	\$3,272,966
Fiscal Year 2009-10 Assessed Valuation	\$49,454,560	\$489,192,328	\$6,754,992
Fiscal Year 2009-10 Incremental AV	\$31,972,803	\$237,558,485	\$3,482,026
Percentage of AV in:			
- Residential use	13.0%	64.8%	0.0%
- Commercial use	82.4%	28.1%	0.0%
- Industrial use	2.6%	5.5%	60.4%
- Vacant and other uses	2.0%	1.6%	39.6%

Source: Lompoc Redevelopment Agency.

**Land Uses.** The Project Area consists of approximately 1,037 acres of land, including residential, commercial and industrial uses. The Project Area includes 2,247 parcels, of which 1,586 are residential. The land uses within the Project Area are summarized in the table below.

**TABLE 2  
Old Town Lompoc Redevelopment Project Area  
Land Uses  
Fiscal Year 2009-10**

<u>Land Use</u>	<u>Secured Assessed Valuation [1]</u>	<u>Percent of Total Valuation</u>	<u>Number of Parcels</u>	<u>Percent Of Total Parcels</u>	<u>Acres [2]</u>	<u>Percent of Total Acres</u>
Agricultural	\$ 734,070	0.1%	2	0.1%	30.1	4.3%
Commercial						
Retail Stores, Single Story	\$35,909,927	7.0%	86	3.8%	36.0	5.1%
Shopping Centers (Regular)	\$21,399,058	4.2%	1	0.0%	12.9	1.8%
Service Stations	\$13,659,911	2.7%	22	1.0%	10.0	1.4%
Shopping Centers (Neighborhood)	\$12,261,758	2.4%	7	0.3%	10.6	1.5%
Restaurants, Lounges	\$10,966,689	2.1%	27	1.2%	7.6	1.1%
Professional Buildings	\$8,210,785	1.6%	20	0.9%	4.0	0.6%
Commercial	\$8,125,628	1.6%	42	1.9%	29.6	4.2%
Auto Sales, Repair, Etc.	\$7,719,029	1.5%	26	1.2%	11.1	1.6%
Office Buildings (1 Story)	\$7,376,760	1.4%	29	1.3%	6.8	1.0%
Banks	\$6,350,461	1.2%	4	0.2%	4.7	0.7%
Other Commercial [3]	<u>\$34,444,966</u>	<u>6.7%</u>	<u>95</u>	<u>4.2%</u>	<u>38.4</u>	<u>5.5%</u>
Total Commercial	\$166,424,972	32.4%	359	16.0%	172	24.4%
Industrial						
Warehousing	\$17,037,272	3.3%	33	1.5%	34.5	4.9%
Light Manufacturing	\$6,330,989	1.2%	19	0.8%	7.6	1.1%
Other Industrial	<u>\$7,112,311</u>	<u>1.4%</u>	<u>65</u>	<u>2.9%</u>	<u>11.8</u>	<u>1.7%</u>
Total Industrial	\$30,480,572	5.9%	117	5.2%	53.9	7.7%
Single-Family Residential	\$99,046,464	19.3%	760	33.8%	122	17.3%
Other Residential						
Residential Rentals [4]	\$100,667,797	19.6%	480	21.4%	87.4	12.4%
Apartments (5+ Units)	\$74,531,157	14.5%	155	6.9%	68.4	9.7%
Mobile Home Parks	\$10,696,767	2.1%	7	0.3%	29.1	4.1%
Other [5]	<u>\$19,678,932</u>	<u>3.8%</u>	<u>184</u>	<u>8.2%</u>	<u>2.6</u>	<u>0.4%</u>
Total Other Residential	\$205,574,653	40.1%	826	36.8%	187.5	26.7%
Vacant	\$8,659,639	1.7%	108	4.8%	45.3	6.4%
Other	<u>\$2,355,989</u>	<u>0.5%</u>	<u>75</u>	<u>3.3%</u>	<u>93.3</u>	<u>13.3%</u>
<b>Total</b>	<b><u>\$513,276,359</u></b>	<b><u>100.0%</u></b>	<b><u>2,247</u></b>	<b><u>100.0%</u></b>	<b><u>703.6</u></b>	<b><u>100.0%</u></b>

[1] Based on 2009-10 County assessed values. Valuation figures are after deduction of homeowner's exemption.  
 [2] Acreage data is taken from the assessment roll and does not include streets or public property. Acreage is not reported for condominiums. The Project Area contains a total of 1,037 acres.  
 [3] Includes five hotel/motel parcels with a combined secured assessed valuation of approximately \$5.2 million (or approximately 1% of secured assessed valuation).  
 [4] Includes some single-family residential dwelling units.  
 [5] Includes condominiums.  
 Source: Urban Analytics, based on information provided by the County of Santa Barbara.

## Redevelopment Plan Limitations

The Redevelopment Plan is subject to the statutory provisions of the Redevelopment Law. As the Original Area was established prior to the effective date of AB 1290 (a major revision of redevelopment law that took effect in 1994) the Redevelopment Plan for that sub-area contains certain limits that are not applicable to the two other sub-areas. The Original Area is subject to an annual limit of \$1 million on the amount of gross tax increment that may be allocated to the Agency from that sub-area, as discussed further below. The Original Area is also subject both to statutory passthrough payments and to contractual passthrough agreements with certain taxing entities that do not apply to the other two sub-areas. The Amendment No. 1 Area and Amendment No. 2 Area are subject to statutory passthrough obligations only.

The limits with respect to the Redevelopment Plan are summarized below.

**TABLE 3**  
**Old Town Lompoc Redevelopment Project**  
**Redevelopment Plan Limitations**

	Original Area	Amendment No. 1 Area	Amendment No. 2 Area
Plan Adoption/Amendment	November 20, 1984	July 14, 1998	July 16, 2002
Ordinance Number	1213 (84)	1439 (98)	1472 (01)
Plan Limits:			
- Last Date for Debt Issuance [1]	No Limit	July 14, 2018	July 16, 2022
- Plan Effectiveness [2]	November 20, 2025	July 14, 2029	July 16, 2033
- Last Date for Receipt of Tax Increment [2]	November 20, 2035	July 14, 2044	July 16, 2048
- Amount of Bonded Indebtedness	\$10,000,000	\$50,000,000	\$25,000,000
- Annual Limit on Gross Tax Increment	\$1,000,000	No Limit	No Limit
Contractual Passthroughs	Yes	No	No
Statutory Passthroughs	Yes	Yes	Yes

[1] The last date for debt issuance was eliminated as to the Original Area by Ordinance No. 1485(03), adopted on September 2, 2003, under Section 33333.6(e)(2) of the Redevelopment Law. Debt incurrence in Amendment No. 1 Area and Amendment No. 2 Area may extend past the dates shown for certain housing purposes.

[2] Extended in each area by one year to the dates shown by Ordinance 1535 (06).

Source: Urban Analytics, based on information provided by the Lompoc Redevelopment Agency.

The Redevelopment Plan for the Original Area was adopted in November 1984, prior to the statutory revisions brought about by AB 1290. Plans adopted prior to AB 1290 were required to contain a limitation on the amount of tax increment received. While this limitation is commonly established as a maximum amount that can be collected over the life of a redevelopment plan, the limit contained in the Redevelopment Plan for the Original Area is a maximum amount of \$1 million in tax increment that may be allocated to the Agency from that sub-area in a given year. As the two sub-areas added by amendment were adopted after AB 1290, this limit does not apply to either of them.

The fiscal year 2009-10 net tax increment from the Original sub-area is approximately \$234,038.

As shown in the table above, the Redevelopment Plan also contains statutory time limits on the receipt of tax increment for each sub-area: 50 years from plan adoption for pre-1994

plans and 45 years from plan adoption for post-1993 plans. SB 1045 enabled redevelopment agencies to extend by one year the deadline for plan effectiveness and receipt of tax increment in connection with the 2003-04 ERAF payment. The Agency adopted such a plan extension by Ordinance 1535 (06).

Redevelopment activity can occur for 40 years from Redevelopment Plan adoption for pre-1994 plans and 30 years for post-1993 plans. These dates, with the one-year extension permitted by SB 1045, are shown in the table above. The Agency may incur indebtedness in the two amended sub-areas for 20 years from Redevelopment Plan adoption; debt may be incurred beyond this limit for specific housing-related purposes. The time limit on debt incurrence for the Original sub-area was removed as permitted under redevelopment law governing pre-1994 plans. The amount of bonded indebtedness that may be outstanding at any one time is \$10,000,000 in the Original sub-area, \$50,000,000 in the Amendment No. 1 Area and \$25,000,000 in the Amendment No. 2 Area.

Legislation passed in 2004 (SB 1096) permits redevelopment agencies to extend their ability to collect tax increment by one year for each ERAF payment made in fiscal years 2004-05 and 2005-06. However, the extensions apply only to redevelopment plans having existing limits on plan effectiveness less than 20 years from the last day of the fiscal year in which the ERAF payment is made; as the remaining Plan effectiveness for the Project Area is greater than 20 years, the Plan time limits may not be further extended under SB 1096.

## **Allocation of Taxes**

**Collection and Allocation of Property Taxes.** Secured taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due on and become delinquent after August 31 of each year, assuming timely issuance of the unsecured tax bill. The Agency is allocated tax increment from the secured and unitary roll in two installments of approximately 50% in December and 50% in April. The first payment is typically received in December of each fiscal year in an amount equal to 100% of the total secured levy, as reduced for an estimate of property tax administrative fees. Supplemental property taxes may be received throughout the year. Unsecured taxes are typically received in October

The County Auditor-Controller is responsible for the aggregation of the taxable values assigned by the Assessor as of the January 1st lien date for property within the boundaries of the Project Area. This results in the reported total current year Project Area taxable value and becomes the basis of determining tax increment revenues due to the Agency. Adjustments to taxable values for property within the Project Area may occur throughout the fiscal year to reflect escaped assessments, roll corrections, etc.; however, no adjustments have been assumed in the tax increment projection shown in this Official Statement, except as noted.

The County calculates tax increment to the Project Area by applying the current year tax rate to secured incremental taxable values and the prior year tax rate to unsecured incremental taxable values. The County also allocates unitary revenue to redevelopment projects. The allocation of unitary revenue is based on revenues received in 1987-88, adjusted by the actual growth or decline in unitary revenues on a County-wide basis. Redevelopment agencies also receive an allocation of supplemental property taxes. Supplemental taxes are a result of new construction or changes of ownership after the January 1 lien date.

**Teeter Plan.** The County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code (which allows each entity in the County to draw on the amount of secured property taxes levied on its behalf rather than the

amount actually collected). Although the City has not elected to participate in the Teeter Plan, the Agency does participate in the Plan. Consequently, the Agency's secured property tax revenues reflect total property tax levies, rather than the actual amount collected. Unsecured taxes are not allocated under the Teeter Plan.

*The application of the Teeter Plan could be terminated by the County Board of Supervisors, and the Board of Supervisors may discontinue the procedure under the Teeter Plan with respect to any tax or assessment levying agency in the County. If the Teeter Plan or its application to the Agency is terminated, the amount of the levy of tax increment received by the Agency would depend upon the actual collections of the secured taxes within the Project Area.*

**Property Tax Rate Limitations.** As discussed in the subsection "LIMITATIONS ON TAX REVENUES," the property tax rate applicable within the Project Area is limited by the State Constitution to \$1 per \$100 of taxable property value plus the rate necessary to service certain indebtedness approved by the voters. Tax Revenues are calculated by using the current year secured tax rate and the previous year's secured tax rate for unsecured property.

### **Agency Tax Sharing Obligations**

**AB 1290 Tax Sharing.** Under the Redevelopment Law, the Agency is required to make annual payments to taxing entities within the Project Area based on a statutory formula that sets aside a percentage of tax increment revenue for such payments in three tiers, as follows.

- In the first tier of payments, approximately 20% of the tax increment in the Project Area is paid to taxing entities during the initial 10 years that the Agency receives tax increment from the Project Area.
- In the second tier of payments, an additional base threshold is established in year 10 of tax increment receipt and another payment stream is added equal to 16.8% of tax increment over the year-10 threshold.
- In year 30 of tax increment receipt, a third base threshold is established and a third tier of payments equal to 11.2% of revenue over that threshold are added to the payments made to taxing entities.

The City, as the sponsoring taxing entity, can receive pass-through payments only from the first tier of payments.

Over the life of the Project Area, the Agency expects to pass approximately 30% of its tax increment through to taxing entities. The majority of these payments are made by the City, acting as an agent of the redevelopment agency, from tax increment receipts, with the remaining pass-through payments made by the County.

The allocation of pass-through payments to each taxing entity is based on an allocation factor that is assigned to each entity in the Project Area by the County Auditor-Controller. Representative factors are shown in the Fiscal Consultant's Report attached as APPENDIX B.

**Tax Sharing Agreements.** The Project Area is subject to two fiscal agreements that were negotiated with taxing entities during the plan adoption process. These agreements are briefly summarized below.

*County Pass-Through Agreement.* The Agency entered into an agreement (the "**County Agreement**") for allocation and distribution of tax increment funds from the

Original Area with the County on January 17, 1985. The County Agreement provides that, after the 5th year after the adoption of the Redevelopment Plan, the Agency will reimburse to the County, from its allocation of tax increment, 5% of tax increments. Annually thereafter, the Agency is required to increase the tax increment reimbursement of the previous year by 5% or by the percentage rate of increase of the assessed valuation of the Original Area over the assessed valuation of the previous year, whatever is less.

The Agency will be allocated all remaining portions of tax increment and will use such tax increment to finance its redevelopment activities, provided however that the total amount of tax increments allocated and paid to the Agency, exclusive of money reimbursed to the County, may not exceed \$1,000,000 during any one fiscal (tax) year. The full allocation of tax increment revenues generated by the application of tax increment revenues generated by the application of any tax rates levied for the purpose of paying voter approved indebtedness will continue to be allocated and paid to the Agency pursuant to Health and Safety Code Section 33670 and will be counted toward such total.

*School District Pass-Through Agreement.* The Agency entered into an agreement (the "**School District Agreement**") for allocation and distribution of tax increment funds from the Original Area with the Lompoc Unified School District (the "**School District**") on January 18, 1985. The School District Agreement provides that, annually, beginning in the first year and in each year thereafter following the adoption of the Redevelopment Plan, the Agency will reimburse the School District, from its allocation of tax increment, 1% of tax increment.

The School District will be allocated, in addition to the portion of taxes allocated under Section 33670(a) of the Health and Safety Code, any portion of the tax increments which that would otherwise be allocated to the Agency pursuant to Section 33670(b) and which are attributable to the current or future levy of any special tax or attributable to any increase in the rate of tax imposed for the benefit of the School District which levy occurs after the tax year in which the Redevelopment Plan became effective.

The Agency will be allocated all remaining portions of tax increment and will use such tax increment to finance its redevelopment activities, provided however that the total amount of tax increments allocated and paid to the Agency, exclusive of money reimbursed to the County, shall not exceed \$1,000,000 during any one fiscal (tax) year.

**No Section 33676 Allocations.** Section 33676 of the Redevelopment Law allows taxing entities to receive additional property taxes in a redevelopment project area above the base year revenue amount. Such payments are based on annual increases in the real property portion of the base year value up to the inflation limit of 2%. Currently, there are no taxing entities receiving allocations of property taxes under Section 33676 in the Project Area.

**No Section 33607.5 Subordinations.** Pass-through payments to taxing entities may be subordinated to loans, bonds, or other indebtedness through a procedure specified in Section 33607.5 of the Redevelopment Law. However, the Agency does not intend to seek subordination of the statutory pass-through payments.

## ERAF Obligations

**Prior ERAF Transfers.** In connection with its approval of former budgets, the State Legislature enacted legislation, that among other things, reallocated a portion of funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment to school districts through the State's Education Revenue Augmentation Fund ("**ERAF**"). The State Legislature has required redevelopment agencies to make the following ERAF transfers in recent fiscal years. The Agency paid its ERAF payments for these fiscal years on a timely basis.

Fiscal Year	ERAF Transfer
2002-03	\$13,017
2003-04	\$25,513
2004-05	\$77,514
2005-06	\$99,388

The Agency was not required to make an ERAF payment in Fiscal Year 2006-07 or Fiscal Year 2007-08.

Although the State's voters approved a constitutional amendment on the November 2004 ballot that purports to prohibit any further transfers of non-education local government property taxes for the benefit of the State, this constitutional amendment does not purport to change existing law with respect to the State's ability to transfer redevelopment agencies' property tax revenues. See "RISK FACTORS – State Budget Deficit."

**Fiscal Year 2008-09 ERAF Obligations.** In 2008, the State Legislature adopted, and the Governor of the State signed, Assembly Bill 1389, Chapter 751, Statutes 2008 (AB 1389) ("**AB 1389**"), which among other things required redevelopment agencies to pay into ERAF in Fiscal Year 2008-09 prior to May 10, 2009, an aggregate amount of \$350 million, of which the Agency was to pay \$198,091. AB 1389 provides that part of the ERAF obligation of the Agency is calculated based on the gross tax increment received by the Agency and the other part of the ERAF obligation of the Agency is calculated based on net tax increment revenues (after any pass-through payments to other taxing entities). AB 1389 provides that required transfers to ERAF are subordinate to payments on bonds secured by tax increment revenues.

On April 30, 2009, a California superior court in *California Redevelopment Association v. Genest* (County of Sacramento) (Case No. 34-2008-00028334) held that the Fiscal Year 2008-09 payment by redevelopment agencies into ERAF required by AB 1389 violated the California constitution, and the court invalidated and enjoined the operation of the California Health and Safety Code section requiring these ERAF payments. On May 26, 2009, the State filed a notice that it would appeal the decision of the superior court, but on September 28, 2009, the State noticed its withdrawal of its appeal.

**Fiscal Year 2009-10 SERAF Obligations.** In connection with various legislation related to the budget for the State for its Fiscal Year 2009-10, in late July 2009, the State legislature adopted, and the Governor of the State signed, Assembly Bill No. 26 (the "**2009 SERAF Legislation**").

The 2009 SERAF Legislation mandates that redevelopment agencies in the State make deposits to the Supplemental Educational Revenue Augmentation Fund ("**SERAF**") that is established in each county treasury throughout the State the following aggregate amounts:

- \$1.7 billion for Fiscal Year 2009-10, which is due prior to May 10, 2010; and

- \$350 million for Fiscal Year 2010-11, which is due prior to May 10, 2011.

The Agency's 2009 SERAF obligation is \$963,079 for Fiscal Year 2009-10 and is estimated to be \$198,091 for fiscal year 2010-11; the actual payment amount for 2010-11 will be calculated by the State's Department of Finance by November 15, 2010. Under the 2009 SERAF Legislation, redevelopment agencies may use any funds that are legally available and not legally obligated for other uses, including reserve funds, proceeds of land sales, proceeds of bonds or other indebtedness, lease revenues, interest and other earned income.

The Agency has paid the SERAF payment due by May 10, 2010, and believes it will have sufficient funds to pay the full amount of the remaining SERAF payment due by May 10, 2011. Potential sources of funds used to pay the SERAF include: tax increment revenues from Fiscal Years 2009-10 and 2010-11, and available moneys on deposit in Agency funds. Additionally, the Agency could, in the future, issue additional bonds to fund the current or any future tax shifts.

The 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness. Section 6 of the 2009 SERAF Legislation, which is codified as Section 33690(a)(3) of the Redevelopment Law, states: "The obligation of any agency to make the payments required pursuant to this subdivision shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal, or interest on any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670."

The 2009 SERAF Legislation imposes various restrictions on redevelopment agencies that fail to timely make the required SERAF payments, including:

- (i) a prohibition on adding or expanding project areas,
- (ii) a prohibition on the incurrence of additional debt,
- (iii) limitations on the encumbrance and expenditure of funds, including funds for operation and administration expenses, and
- (iv) commencing with the July 1 following the due date of a SERAF annual payment that is not timely made, a requirement that the applicable redevelopment agency allocate an additional 5% of all taxes that are allocated to the redevelopment agency under the Redevelopment Law for low and moderate income housing for the remainder of the time that the applicable redevelopment agency receives allocations of tax revenues under the Redevelopment Law.

The 5% additional housing set-aside penalty provision referred to in the 2009 SERAF Legislation (the "**Penalty Set-Aside Requirement**") would be in addition to the existing 20% set-aside of tax allocation revenues already required to be used for low and moderate income housing purposes. If a redevelopment agency borrows from amounts required to be allocated to its housing set-aside funds to make required SERAF payments, but does not timely repay the funds, it may also be subject to the Penalty Set-Aside Requirement.

The Agency timely made its SERAF payment that was due by May 10, 2010, and, as stated above, the Agency believes that it will be able to timely satisfy the SERAF requirement to make a payment by May 10, 2011, with available funds. The Agency does not intend to make its payment obligations using housing set-aside funds.

The California Redevelopment Association, the Union City Redevelopment Agency and the Fountain Valley Redevelopment Agency filed a lawsuit in Sacramento Superior Court on October 20, 2009 challenging the constitutionality of the 2009 SERAF Legislation and seeking to prevent the State from taking redevelopment funds for non-redevelopment purposes. The Court has certified all redevelopment agencies in the State as a class of plaintiffs in the lawsuit. On May 4, 2010, the Superior Court ruled in favor of the State, upholding the constitutionality of the 2009 SERAF Legislation. Therefore, the Agency made its SERAF payment by the May 10, 2010 due date.

The Agency cannot predict whether the plaintiffs will file an appeal of this decision and, if such an appeal is filed, what the ultimate outcome of this litigation will be.

***Effect of Future State Budgets on Agency Revenues.*** The Agency cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures and the repercussions they may have on the Fiscal Year 2009-10 State Budget and future State budgets. These developments at the State level may, in turn, affect local governments and agencies, including the Agency. The State Legislature may adopt other legislation requiring redevelopment agencies to make other payments to ERAF or SERAF or to make other payments. The impact that current and future State fiscal shortfalls will have on the Agency is unknown at this time. In prior years, the State has experienced budgetary difficulties and balanced its budget by requiring local political subdivisions, such as cities and redevelopment agencies, to fund certain costs theretofore borne by the State.

Information about the State budget and State spending is regularly available from various State offices, including the Department of Finance, the Office of the Legislative Analyst and the State Treasurer. None of this information is incorporated into this Official Statement by such reference.

### **Low and Moderate Income Housing**

Sections 33334.2 and 33334.3 of the Redevelopment Law require the Agency to set aside not less than 20% of all Tax Revenues allocated to the Agency in a low and moderate income housing fund (the “**Housing Fund**”) to be expended for authorized low and moderate income housing purposes (the “**Housing Set-Aside Amount**”).

Amounts on deposit in the Housing Fund may also be applied to pay debt service on bonds, loans or advances used to provide financing for such low and moderate income housing purposes. Under the Redevelopment Law, the Housing Set-Aside Amount could be reduced or eliminated if the Agency finds that (1) no need exists in the community to improve or increase the supply of low and moderate income housing, (2) that some stated percentage less than 20% of the tax increment is sufficient to meet the housing need or (3) that other substantial efforts, including the obligation of funds from certain local, state or federal sources for low and moderate income housing, or equivalent impact are being provided for in the community.

The Tax Revenue projections set forth in this Official Statement and the Fiscal Consultant’s Report attached as APPENDIX B assume that the full Housing Set-Aside Amount will be deposited in the Housing Fund and will not be available in future years to pay debt service on the Bonds. In addition, the definition of Tax Revenues contained in the Indenture expressly excludes the Housing Set-Aside Amount.

## Assessed Valuation

**General.** Tax Revenues to be used for payment of the Agency Loan are generated from increases in the total assessed value above the base year value. See "SECURITY FOR THE BONDS."

The County Assessor assesses all taxable property in the Project Area (except exempt property) at 100% percent of "full cash value," as defined in Article XIII A of the California Constitution, as of the January 1st lien date each year. See "LIMITATIONS ON TAX REVENUES." Certain public utility property is assessed by the State Board of Equalization. See "-- Allocation of Taxes" above.

In or about September of each year, the County Auditor-Controller provides a report of the current year and base year values for the Project Area.

**Assessed Value and Tax Increment History.** The following table summarizes the assessed valuation of property in the Project Area and corresponding tax increment during fiscal years 2005-06 through 2009-10.

**TABLE 4**  
**Old Town Lompoc Redevelopment Project**  
**Historic Assessed Valuations and Tax Increment Revenues**

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Secured and Utility Assessed Value	\$446,487,110	\$492,375,612	\$527,867,942	\$538,744,887	\$517,657,086
Unsecured Assessed Value	<u>28,108,946</u>	<u>24,986,304</u>	<u>28,163,634</u>	<u>28,264,426</u>	<u>27,744,794</u>
Total Assessed Value	474,596,056	517,361,916	556,031,576	567,009,313	545,401,880
Less: Base Year Assessed Value	<u>(272,388,566)</u>	<u>(272,388,566)</u>	<u>(272,388,566)</u>	<u>(272,388,566)</u>	<u>(272,388,566)</u>
Incremental Assessed Value	202,207,490	244,973,350	283,643,010	294,620,747	273,013,314
Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%
Gross Tax Increment	2,022,075	2,449,734	2,836,430	2,946,207	2,730,133
Less: Property Tax Administration Fee	(25,074)	(30,377)	(35,172)	(36,533)	(33,854)
Less: Contractual Passthrough Payments	(7,471)	(8,546)	(8,489)	(7,944)	(8,089)
Less: Statutory Passthrough Payments	(448,038)	(482,796)	(545,902)	516,943	491,436
Less: Housing Set-Aside	<u>(404,415)</u>	<u>(489,947)</u>	<u>(567,286)</u>	<u>589,241</u>	<u>546,027</u>
Available Tax Increment	<u>\$1,137,077</u>	<u>\$1,438,068</u>	<u>\$1,679,581</u>	<u>\$1,795,546</u>	<u>\$1,650,728</u>
Additional Revenue					
Supplemental Revenue:	\$428,040	\$198,014	\$142,002	\$13,585	\$22,777 [1]
Unitary Revenue:	2,316	2,570	2,854	2,753	2,441 [1]

[1] Actual revenues through May 17, 2010.

Source: Urban Analytics, based on information provided by the County of Santa Barbara and the Lompoc Redevelopment Agency.

**Reductions in Assessed Value Since Lien Date for Current Year.** According to the Fiscal Consultant's Report, during fiscal year 2009-10 the assessor applied a full exemption to a property owned by College Park Housing Associates, reducing the net valuation of that property to zero from \$7.7 million, and nearly three hundred properties received adjustments to their assessed valuations for what is assumed to be Proposition 8-related reasons (as described further below). These reductions in valuation are incorporated into the secured assessed valuation figure shown in the table above for 2009-10.

**Additional Property Data.** The project area contains a significant number of parcels which have not transferred in recent years and, as a result, have assessed values below recent prevailing market values. APPENDIX C contains a breakdown of the parcels by the year of the last document recording (i.e., time of last property transfer) and a schedule containing assessed value ranges for single family residences. It should be noted that in certain cases, transfers of property with assessed values below market value may not trigger a reassessment. See "LIMITATIONS ON TAX REVENUES – Property Tax Limitations: Article XIII A of the California Constitution."

As of June 30, 2009, parcels within the Project Area representing approximately 3.3% of assessed valuation were delinquent on property taxes. This compares to a City-wide delinquency rate of approximately 2.8% and a County-wide rate of 2.1%. None of the top ten taxpayers had delinquencies as of June 30, 2009. Delinquency data for 2009-10 is not currently available. The Agency is currently on the Teeter Plan and receives 100% of its portion of the property tax levy (see "Allocation of Taxes" above).

As of the date of the final tax roll for Fiscal Year 2009-10, 24 single-family and other residential properties were held by financial institutions other than investment institutions. Fiscal Year 2009-10 assessed values for these parcels ranged from approximately \$96,000 to \$295,000, and most had received a significant Prop 8 downward adjustment for Fiscal Year 2009-10. The Project Area contains a total of 1,586 parcels which are classified as single-family residential or other residential.

### **Major Property Owners**

The following table lists the ten largest payers of secured property taxes in the Project Area for fiscal year 2009-10.

The Lompoc Plaza regional shopping center is in two separate ownerships, with the portion owned by Centro Watt located along the west side of Highway One and the portion owned by Lompoc Plaza Shopping Center located along the east side. A Vons store is located at this site, along with nine other unsecured properties not separately listed. The second largest owner is an apartment complex along West Chestnut Avenue. The remaining large owners include a Home Depot location owned by Lompoc Ocean Associates LLC, a shopping center along Highway One, and residential properties.

**TABLE 5**  
**Old Town Lompoc Redevelopment Project**  
**Ten Largest Taxpayers by Assessed Valuation**  
**Fiscal Year 2009-10**

	<u>Property Owner</u>	<u>Property Use</u>	<u>Total Assessed Value</u>	<u>Percent of Assessed Valuation</u>	<u>Percent of Incremental Assessed Valuation</u>
1	Centro Watt Property Owner II, LLC	Regional shopping center	\$22,392,728	4.11%	8.2%
2	Shoot The Breeze, LTD	Apartments	19,644,080	3.60%	7.2%
3	Lompoc Plaza Shopping Center	Shopping center	8,391,011	1.54%	3.1%
4	Lompoc Ocean Associates, LLC	Commercial	7,718,128	1.42%	2.8%
5	Beach Plaza, LLC	Department Store	5,948,274	1.09%	2.2%
6	Four Aces Mobilehome Estates	Mobile home park	4,878,878	0.89%	1.8%
7	Biafora Weiner and Ranelletti	Apartments	4,731,697	0.87%	1.7%
8	Crown Laurel, LLC	Vacant Land, Single-Family Residential	3,830,015	0.70%	1.4%
9	Chestnut Village LLC	Apartments	3,621,817	0.66%	1.3%
10	Fox, Henry	Walgreens	<u>3,541,768</u>	<u>0.65%</u>	<u>1.3%</u>
	Total Top Ten:		84,698,396	15.53%	31.0%
	Other Others:		<u>460,703,484</u>	<u>84.47%</u>	
	Total Project Area:		<u>\$545,401,880</u>	<u>100.00%</u>	

Source: Urban Analytics, based on information provided by the County of Santa Barbara.

### Tax Rates

The tax rate applicable to redevelopment incremental assessed valuation includes the basic 1% levy. In addition, redevelopment agencies receive tax revenue from debt service override levies except those that were imposed to repay indebtedness approved by voters on or after January 1, 1989. As there are no pre-1989 debt service levies in the Project Area, the Agency receives tax increment on the 1% levy only.

The Agency has no power to levy a property tax itself, has no control over the override levy, and will not receive tax revenue from any future levy for voter-approved indebtedness.

### Appeals of Assessed Values

Assessment appeals filed by property owners in the Project Area and granted by the County Assessor could adversely impact the amount of Tax Revenues available to pay debt service on the Bonds. See "RISK FACTORS."

**Proposition 8 Appeals.** Most of the assessment appeals that might be filed in the Project Area, known as Proposition 8 appeals, would result from declines in the market value of the property assessed, and would be based on Section 51 of the Revenue and Taxation Code. That section requires that for each lien date the value of real property must 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.

Property owners may apply for a reduction of their property tax assessment under Proposition 8 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 present market conditions

(such as residential home prices) cause the property to be worth less than its current assessed value.

In addition, county assessors can initiate Proposition 8 reductions through a blanket process that targets all properties meeting certain criteria. According to information released by the County Assessor through its internet site, the Assessor's office is currently reviewing over 23,000 single family parcels on its own accord, and reviewed over 15,000 last year, for possible Proposition 8 assessed value reductions.

Any reduction in the assessed value 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 assessed 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. See also "LIMITATIONS ON TAX REVENUES – Article XIII A of the California Constitution."

**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.

**Current History of Appeals in the Project Area.** According to the Fiscal Consultant's Report, based on information provided by the County Assessor's office, there have been 31 appeals filed in the Project Area over the past six years, as shown in the table below. Of the 26 resolved appeals, nine resulted in net valuation reductions together totaling \$1.9 million; the remaining 17 appeals were either withdrawn by the applicant, were denied a hearing, or had their roll valuations upheld by the Assessment Appeals Board.

The nine appeals receiving net valuation reductions included a Von's store, with a valuation reduction of \$301,005 on a 2006-07 unsecured assessment; this property is the only property among the ten largest secured property taxpayers in the Project Area to receive a reduction in assessed valuation.

The potential exposure to reductions in assessed valuation from pending appeals is \$167,737, which is estimated based on the difference between County assessed valuation and the applicant's opinion of value for pending appeals, multiplied by the inverse of the retention rate shown in the table below.

**TABLE 6**  
**Old Town Lompoc Redevelopment Project**  
**Summary of Assessment Appeals**

Roll Year	Resolved/ Pending	Number of Appeals	County Valuation	Applicant Opinion of Value	Valuation After Appeal	Retention Rate [1]
2009-10	Resolved	-0-	N/A	N/A	N/A	N/A
2009-10	Pending	3	\$1,508,620	\$ 870,000	N/A	N/A
2008-09	Resolved	7	3,924,216	2,987,029	\$3,347,568	85.31%
2008-09	Pending	2	1,914,000	1,060,000	N/A	N/A
2007-08	Resolved	4	1,716,262	1,214,714	1,259,342	73.38%
2007-08	Pending	-0-	-	-	-	-
2006-07	Resolved	5	22,715,467	14,061,925	22,204,462	97.75%
2006-07	Pending	-0-	-	-	-	-
2005-06	Resolved	7	5,003,001	2,968,046	5,003,001	100.00%
2005-06	Pending	-0-	-	-	-	-
2004-05	Resolved	3	5,084,455	2,795,000	4,744,976	93.32%
2004-05	Pending	-0-	-	-	-	-
All Years	Resolved	26	38,443,401	24,026,714	36,559,349	95.10%
All Years	Pending	5	3,422,620	1,930,000	N/A	N/A

[1] Retention Rate is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the "Valuation After Appeal" into the "County Valuation." For withdrawn and denied appeals the valuation after appeal is the original county valuation.

Source: Urban Analytics, based on data obtained from the Santa Barbara County Assessment Appeals Board as of April 25, 2010.

A court case regarding the proper method of reassessing properties once they received a temporary reduction in valuation known as a Proposition 8 adjustment was resolved on appeal in favor of the County of Orange. In that case, the assessor was found to have properly returned a property to its statutory base valuation adjusted for inflation once the Proposition 8 adjustment terminated. The assessment practice that was validated by the court is one used in the County and most other counties in the state.

### Projected Tax Revenues and Debt Service Coverage

**Proposition 13 and Reductions in Inflationary Rate.** Under Section 51 of the Revenue and Taxation Code, the annual increase in assessed valuation for real property is limited to the lesser of 2% or the October-to-October change in the California Consumer Price Index ("CCPI") preceding the January 1 lien date. Since 1976-77, and prior to 2010-11, the CCPI has been above 2% in all but five years, with the lowest CCPI being one percent in 1983-84. See "RISK FACTORS – Reduction in Inflationary Rate."

The State Board of Equalization has notified assessors that the CCPI to be applied to the 2010-11 assessment roll is 0.99763%, representing a decrease of 0.237%. Such a reduction would affect all properties that did not have a change in their base year values through sale or new construction during the year, or which were not subject to reductions under Proposition 8. The final roll value for 2010-11 will not be known until the roll is released in July 2010.

**Projected Tax Revenues.** The projections of Tax Revenues for the Project Area, as prepared by the Fiscal Consultant, are set forth in the Fiscal Consultant's Report and reproduced in the table below. The projections commence with the reported values for Fiscal Year 2009-10, and are based on the following assumptions.

- The projections incorporate a 1.5% reduction in assessed valuation for 2010-11, a 1% increase in assessed valuation for 2011-12, and increased valuation growth of 2% from 2012-13 forward. The table below shows net tax increment available for debt service after payment of the 20% housing set-aside contribution, contractual and statutory passthrough payments, and the county property tax administration fee.

- The assessor's office reduced the valuation of approximately 300 properties in the Project Area under Proposition 8 for 2009-10 (see “– Appeals of Assessed Values” above). As the real estate market continued to weaken in 2009, it is conservatively assumed that there may be some further Proposition 8 reductions for the 2010-11 roll year. In addition, as noted above, the State Board of Equalization has stated that the Proposition 13 inflation factor to be applied to real property for the 2010-11 roll year will be negative; the inflation factor is assumed to return to 2% by 2011-12.

- Properties receiving a reduction in valuation under Proposition 8 are subject to increased valuation as market conditions improve. Such increases could bring the properties back to their previous assessment levels, plus the annual Proposition 13 inflationary growth adjustment of up to 2% for each intervening year. However, sales of properties at levels below their assessed valuations would create a lower base valuation and eliminate any potential restoration of valuation from a Proposition 8 reduction. While some future increases in valuation from properties subject to Proposition 8 reductions are possible in the Project Area, the nature and timing of any such valuation restoration is not predictable and is not included in the projections.

- New development is not included in the projections.

- Under the growth assumptions described above, tax increment available for debt service is expected to increase from \$1,650,728 in 2009-10 to \$3,159,440 by 2044-45, the last year in which the Agency can collect tax increment in the Amendment Number 1 sub-area. Tax increment from the Original Area sub-area will cease after 2035-36, resulting in a projected decrease in tax increment to \$2,678,359 in the subsequent year. Tax increment from the Amendment Number 2 sub-area will continue through 2048-49.

- As noted above, the Redevelopment Plan imposes a limitation of \$1,000,000 on the annual amount of tax increment that may be received by the Agency from the Original Area. See “– Redevelopment Plan Limitations” above. This limit is not expected to be reached with the assumed growth rate of 2%, although it may be reached under higher growth rates.

***No assurance can be given that these projections will be met. The achievement of the results or other expectations contained in the forward-looking statements contained in these projections involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied. See “RISK FACTORS – Reduction in Taxable Value.”***

**TABLE 7**  
**Old Town Lompoc Redevelopment Project**  
**Projected Tax Increment Revenues**

Fiscal Year	Gross Tax Increment	Housing Set-Aside	County Admin. Fee	Pass-through Payments	Available Tax Increment
2009-10	\$2,730,133	\$(546,027)	\$(33,854)	\$(499,525)	\$1,650,728
2010-11	2,652,958	(530,592)	(32,897)	(484,811)	1,604,659
2011-12	2,703,636	(540,727)	(33,525)	(494,473)	1,634,911
2012-13	2,806,006	(561,201)	(34,794)	(513,991)	1,696,019
2013-14	2,910,424	(582,085)	(36,089)	(534,547)	1,757,703
2014-15	3,016,929	(603,386)	(37,410)	(567,773)	1,808,360
2015-16	3,125,565	(625,113)	(38,757)	(601,922)	1,859,773
2016-17	3,236,373	(647,275)	(40,131)	(636,753)	1,912,214
2017-18	3,349,398	(669,880)	(41,533)	(672,281)	1,965,704
2018-19	3,464,683	(692,937)	(42,962)	(708,520)	2,020,264
2019-20	3,582,274	(716,455)	(44,420)	(745,484)	2,075,915
2020-21	3,702,217	(740,443)	(45,907)	(783,186)	2,132,680
2021-22	3,824,558	(764,912)	(47,425)	(821,643)	2,190,579
2022-23	3,949,346	(789,869)	(48,972)	(860,869)	2,249,636
2023-24	4,076,630	(815,326)	(50,550)	(900,879)	2,309,875
2024-25	4,206,460	(841,292)	(52,160)	(941,690)	2,371,318
2025-26	4,338,887	(867,777)	(53,802)	(983,317)	2,433,990
2026-27	4,473,961	(894,792)	(55,477)	(1,025,776)	2,497,916
2027-28	4,611,738	(922,348)	(57,186)	(1,069,085)	2,563,120
2028-29	4,752,270	(950,454)	(58,928)	(1,124,624)	2,618,263
2029-30	4,895,612	(979,122)	(60,706)	(1,181,275)	2,674,509
2030-31	5,041,822	(1,008,364)	(62,519)	(1,239,059)	2,731,880
2031-32	5,190,955	(1,038,191)	(64,368)	(1,297,998)	2,790,398
2032-33	5,343,072	(1,068,614)	(66,254)	(1,358,291)	2,849,913
2033-34	5,498,230	(1,099,646)	(68,178)	(1,419,789)	2,910,617
2034-35	5,656,492	(1,131,298)	(70,140)	(1,482,517)	2,972,536
2035-36	5,817,919	(1,163,584)	(72,142)	(1,546,754)	3,035,438
2036-37	5,382,417	(1,076,483)	(66,742)	(1,560,832)	2,678,359
2037-38	5,535,885	(1,107,177)	(68,645)	(1,625,653)	2,734,410
2038-39	5,692,422	(1,138,484)	(70,586)	(1,691,770)	2,791,581
2039-40	5,852,090	(1,170,418)	(72,566)	(1,759,210)	2,849,896
2040-41	6,014,952	(1,202,990)	(74,585)	(1,827,998)	2,909,378
2041-42	6,181,070	(1,236,214)	(76,645)	(1,898,162)	2,970,049
2042-43	6,350,511	(1,270,102)	(78,746)	(1,969,730)	3,031,933
2043-44	6,523,341	(1,304,668)	(80,889)	(2,042,728)	3,095,055
2044-45	6,699,627	(1,339,925)	(83,075)	(2,117,187)	3,159,440
2045-46	99,032	(19,806)	(1,228)	(21,635)	56,362
2046-47	101,667	(20,333)	(1,261)	(22,367)	57,706
2047-48	104,355	(20,871)	(1,294)	(23,113)	59,077
2048-49	<u>107,097</u>	<u>(21,419)</u>	<u>(1,328)</u>	<u>(23,874)</u>	<u>60,476</u>
Total	\$163,603,016	\$(32,720,603)	\$(2,028,677)	\$(41,081,092)	\$87,772,643

Source: Urban Analytics.

**Projected Debt Service Coverage.** The table below contains projections of Tax Revenues for the Project Area (based on the table above), as prepared by the Fiscal Consultant, debt service on the Bonds and the 2004 Loan, and the resulting debt service coverage ratios.

**TABLE 8**  
**Old Town Lompoc Redevelopment Project**  
**Projected Debt Service Coverage**

Bond Year (ending Sept. 1)	Projected Available Tax Increment [1]	Actual Bonds Debt Service	2004 Loan Debt Service	Total Debt Service	Projected Debt Service Coverage
2010	\$1,650,728	\$ -0-	\$ 459,285	\$ 459,285	3.59
2011	1,604,659	601,749	459,485	1,061,234	1.51
2012	1,634,911	602,225	458,504	1,060,729	1.54
2013	1,696,019	603,850	457,341	1,061,191	1.60
2014	1,757,703	599,588	460,998	1,060,585	1.66
2015	1,808,360	604,550	459,291	1,063,841	1.70
2016	1,859,773	603,569	456,929	1,060,498	1.75
2017	1,912,214	601,769	459,373	1,061,141	1.80
2018	1,965,704	599,113	461,173	1,060,285	1.85
2019	2,020,264	605,788	457,573	1,063,360	1.90
2020	2,075,915	601,281	458,498	1,059,779	1.96
2021	2,132,680	601,281	458,838	1,060,119	2.01
2022	2,190,579	605,781	458,518	1,064,299	2.06
2023	2,249,636	599,250	462,518	1,061,768	2.12
2024	2,309,875	602,175	460,593	1,062,768	2.17
2025	2,371,318	599,313	462,943	1,062,255	2.23
2026	2,433,990	600,606	459,313	1,059,919	2.30
2027	2,497,916	600,756	460,063	1,060,819	2.35
2028	2,563,120	604,725	459,943	1,064,668	2.41
2029	2,618,263	597,188	464,103	1,061,290	2.47
2030	2,674,509	599,075	462,303	1,061,378	2.52
2031	2,731,880	599,813	464,783	1,064,595	2.57
2032	2,790,398	599,400	461,110	1,060,510	2.63
2033	2,849,913	601,900	461,710	1,063,610	2.68
2034	2,910,617	602,900	461,340	1,064,240	2.73
2035	2,972,536	602,400	-0-	602,400	4.93
2036	3,035,438	605,400	-0-	605,400	5.01
2037	2,678,359	601,600	-0-	601,600	4.45
2038	2,734,410	601,300	-0-	601,300	4.55
2039	2,791,581	604,200	-0-	604,200	4.62
Total	\$69,523,268	\$17,452,543	\$11,506,528	\$28,959,063	

[1] From Table 7 above.  
Source: Urban Analytics.

## **Project Area Indebtedness**

**No Senior Debt.** The Agency currently has no outstanding bonds or other obligations indebtedness payable from tax increment from the Project Area on a basis senior to the Bonds.

**Parity Debt.** The Agency currently has incurred the following debt or other obligations that are payable on a parity with the Bonds. See the Agency's financial statements contained in APPENDIX A.

**2004 Loan.** Under the 2004 Loan Agreement, the Authority made the 2004 loan to the Agency in the original principal amount of \$7,350,000, of which \$6,735,000 was outstanding as of April 2, 2010. The Authority has pledged the payments on the 2004 Loan (together with payments of debt service on certain special assessment bonds simultaneously purchase by the Authority) toward the payment of debt service of bonds issued by the Authority captioned "2004 Revenue Bonds, Lompoc Public Financing Authority – Aquatic Center Project," which were issued in November 2004. The net proceeds of the 2004 Loan and the special assessment bonds were used to finance the construction and acquisition of a new public aquatic center in the City.

## RISK FACTORS

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

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

To estimate the Tax Revenues available to pay debt service on the Bonds, the Agency has made certain assumptions with regard to the assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates or the percentage of taxes collected are less than the Agency's assumptions, the Tax Revenues available to pay debt service on the Bonds will, in all likelihood, be less than those projected.

### **Reduction in Taxable Value**

Tax Revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area allocable to the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic and other factors beyond the Agency's control could cause a reduction in the Tax Revenues securing the Bonds. Such factors include, among others, the following:

- relocation out of the Project Area by one or more major property owners,
- the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings,
- the discovery of hazardous substances on a property within the Project Area (see “– Environmental Condition of the Project Area” below), or
- the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster (see “Natural and Man-made Disasters” below).

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. Such a reduction of assessed valuations and the resulting decline in Tax Revenues or the resulting property tax refunds could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Bonds. See “THE AGENCY AND THE PROJECT AREA - Appeals of Assessed Values.”

## Reduction in Inflationary Rate

As described in greater detail below, 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.

Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation six times:

1993-94	1.000%
1995-96	1.190%
1996-97	1.110%
1999-00	1.853%
2004-05	1.867%

The State Board of Equalization has notified assessors that the CCPI to be applied to the 2010-11 assessment roll is 0.99763%, representing a decrease of 0.237%. Such a reduction would affect all properties that did not have a change in their base year values through sale or new construction during the year, or which were not subject to reductions under Proposition 8. The final roll value for 2010-11 will not be known until the roll is released in July 2010.

The Agency is unable to predict if any adjustments to the full cash value base of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

## Levy and Collection

The Agency does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the Bonds. Likewise, delinquencies in the payment of property taxes, except to the extent covered by the Teeter Plan, could have an adverse effect on the Agency's ability to make timely debt service payments.

## Tax Increment From Unsecured Roll

The Fiscal Consultant reports that the tax increment attributable to the secured, unsecured and utility rolls are calculated separately, however the increment amounts are aggregated for calculation of the amount due the Agency. Substantial reductions in the unsecured tax roll could result in reduced tax increment revenues to the Agency notwithstanding increases in valuation in the secured roll.

## Parity Debt

As referenced under the caption "Parity Debt", the Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge of Tax Revenues to payment of debt service on the 2004 Loan and the Bonds. The existence of and the potential for such obligations increases the risks associated with the Agency's payment of debt service on the Bonds in the event of a decrease in the Agency's collection of Tax Revenues.

## State Budget Deficit

**General.** The State of California faces significant budget issues for fiscal year 2009-10 and beyond. In connection with its approval of former budgets, the State Legislature enacted legislation, that among other things, reallocated a portion of funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment to school districts ("ERAF" shifts). See "THE AGENCY AND THE PROJECT AREA – ERAF Obligations."

**2010-11 State Budget.** Set forth below is a summary of information available with respect to the 2010-11 State Budget.

*November 18, 2009 - LAO Report on Fiscal Year 2010-11.* On November 18, 2009, the LAO released a report entitled "The 2010-11 Budget: California's Fiscal Outlook," in which it forecast that the State will need to address a General Fund budget problem of \$20.7 billion between now and the time the Legislature enacts a fiscal year 2010-11 state budget plan. The budget problem consists of a \$6.3 billion projected deficit for fiscal year 2009-10 and a \$14.4 billion gap between projected revenues and spending in fiscal year 2010-11.

*January 8, 2010 – 2010-11 Proposed Budget Submitted by Governor to Legislature.* The Governor submitted his 2010-11 Budget to the State Legislature. The 2010-11 Proposed Budget acknowledges a projected budget gap of \$19.9 billion, comprised of a 2009-10 shortfall of \$6.6 billion, a 2010-11 budget year shortfall of \$12.3 billion and a modest reserve of \$1 billion. The Governor proposes a combination of spending reductions, alternative funding, fund shifts and additional federal funds to close the \$19.9 billion budget gap. Approximately 40 percent of the solutions rely on the federal government for funding or flexibility, another 40 percent rely on reductions in State spending, and the remaining 20 percent consists of various fund shifts.

With respect to K-12 funding, the 2010-11 Budget proposes full funding of the Proposition 98 minimum guarantee, but a reduction of approximately 10 percent in funding for administration and other non-instruction related spending. The Budget includes various flexible spending propositions, including those with respect to teacher seniority, substitute costs, staffing notification requirements, and reduced school year. Non-Proposition 98 programs funded with State General Fund monies are reduced by \$2 million, or 0.2 percent.

*January 12, 2010 – LAO Report: Overview of the Governor's Budget.* On January 12, 2010, the LAO commented on the 2010-11 Proposed Budget, stating that the Governor's estimate of a \$18.9 billion budget problem is reasonable but is \$3.1 billion smaller shortfall than the LAO estimates and may be exacerbated by various lawsuits. The LAO also noted that the Governor's plan relies heavily on federal relief, which the state is unlikely to receive in the amounts requested. The Legislature needs to assume that the federal relief will total billions less than the Governor budgets for and will need to make difficult decisions regarding both revenues and spending and needs to

make many key decisions by the end of March in order to implement them for the next fiscal year.

**May 2010 – 2010-11 Budget Revision.** Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. The 2010-11 budget revision, which was released on May 14, 2010, estimates a general fund budget gap of \$19.1 billion, \$7.7 billion for the 2009-10 fiscal year, \$10.2 billion for the 2010-11 fiscal year, and a modest reserve of \$1.2 billion. The May Revision proposes \$12.4 billion in spending reductions and alternative funding solutions, representing two-thirds of the solutions, borrowing and fund shifts totaling approximately 10% of the solutions and approximately 5% of the package relies on new revenues. Major spending reduction proposals include reductions of \$4.3 billion of Proposition 98 spending, including the elimination of need-based, subsidized childcare, reductions of \$2.1 billion by reducing state employees pay and staffing and shifting pension costs to employees, and the elimination of the CalWORKs program, which provides cash grants and welfare-to-work services, representing \$1.2 billion in savings.

**LAO Report.** On May 18, 2010, the LAO published its comments on the May Revision stating that the Governor's estimate of the budget shortfall is reasonable. However, the LAO Report advises the Legislature to reject the Governor's most drastic spending cuts, particularly the elimination of CalWORKs and child care funding, instituting instead the LAO's alternative spending reduction proposals, and adopting selective revenue increases from fee increases and other non-tax revenues and targeted tax increases. Additionally, the LAO Report urges the Legislature to suspend Proposition 98 if the minimum guarantee is above the level that the state can afford. The LAO predicts that even if the Legislature approves all of the painful cuts and realizes the savings assumed by the Governor's May Revision, a multibillion-dollar operating deficit between \$4 billion and \$7 billion is likely to persist in future years.

**Available Information.** Information about the State budget and State spending is available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State of California official statements for its various debt obligations, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). *References to these websites are provided for general informational purposes only and the material on such sites is in no way incorporated into this Official Statement.*

## **Environmental Condition of the Project Area**

**No Hazardous Conditions.** No environmentally hazardous or toxic conditions are known to exist in the Project Area as of the date of the Bonds.

However, no assurance can be given that hazardous or toxic conditions will not be found to exist, nor that regulations relating to such conditions will not become more stringent, thus requiring remediation by the owners of property within the Project Area. In either or both such events, the value of some or all of the parcels in the Project Area could be reduced. The assessed valuations presented in this Official Statement do not take into account the possible reduction in marketability or value of any existing or subsequent findings of hazardous or toxic conditions.

**Seismic Conditions.** The areas in and surrounding the Project Area, like those in much of California, may be subject to unpredictable seismic activity. According to the Safety Element of the City's General Plan, a portion of the City (generally, the area surrounding the Santa Ynez River) is located within a seismic liquefaction hazard area.

A significant earthquake affecting the City could result in ground shaking that could damage structures located within the Project Area. Most new construction is required to be built in accordance with the Uniform Building Code which contains standards designed to minimize structural damage caused by seismic events. However, the occurrence of severe seismic activity affecting the Project Area could result in substantial damage to property located in the Project Area, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the Bonds.

**Floods and Wildfires.** According to the Safety Element of the City's General Plan, a portion of the City (generally, the area surrounding the Santa Ynez River) is located within a flood hazard area, and the outlying areas of the City are located within wildland fire hazard areas.

Significant flooding or wildfires affecting the Project Area could result in damage to property located in the Project Area, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the Bonds.

### **Bankruptcy Risks**

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies: the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

### **Secondary Market**

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

## **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS" below, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the Agency in violation of its covenants contained in the Indenture. Should such an event of taxability occur, the Bonds are not subject to special redemption or any increase in interest rate and may remain outstanding until maturity.

## **LIMITATIONS ON TAX REVENUES**

### **Property Tax Limitations: Article XIII A of the California Constitution**

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. The amendment 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 June 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.

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. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

### **Implementing Legislation**

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the traditional practice in California of using 25% of full cash value as the assessed value for tax purposes). The legislation further provided that, for fiscal year 1978-79, the tax levied by each county was to be appropriated among all taxing agencies within the county in proportion to their average share of taxes levied in certain previous years.

The apportionment of property taxes in fiscal years after fiscal year 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy (\$4.00 per \$100 assessed valuation) and the bonded debt tax rate.

Effective as of fiscal year 1981-82, assessors in California no longer record property values in the tax rolls at the assessed value of 25% of market values. All taxable property is shown at full market value (subject to a 2% annual limit in growth so long as property is not sold). In conformity with this change in procedure, all taxable property value included in this Official Statement is shown at 100% of market value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for bond service and pension liability are also applied to 100% of market value.

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

### **Challenges to Article XIII A**

There have been many challenges to Article XIII A of the California Constitution. In *Nordlinger v. Hahn*, the United States Supreme Court heard an appeal 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.

### **Possible Reductions to Tax Revenues Arising from Santa Ana Litigation**

The State Court of Appeals recently upheld a Superior Court decision in *Santa Ana Unified School District v Orange County Development Agency* which held the Santa Ana Unified School District had the right to receive payments from the Orange County Redevelopment Agency pursuant to a resolution adopted by the School District in 1996 under former Section 33676(a) of the California Redevelopment Law (*Santa Ana Unified School District v. Orange County Redevelopment Agency*; App. 4 Dist. 2001 108 Cal. Rptr.2d 770, 90 Cal. App 4th 404, review denied). Former Section 33676(a)(2) provided that, unless a negotiated tax sharing agreement had been entered into, upon passage of a resolution prior to adoption of a redevelopment plan, affected taxing agencies and every school and community college district could elect to be allocated increases in the assessed value of taxable property in the project area based on inflation growth (the "**2% Property Tax Increase**"). The Court of Appeals affirmed the lower court ruling that due to an amendment to former Section 33676(a) which occurred in 1984, school and community college districts were to automatically receive the 2% Property Tax Increase even without adopting the appropriate resolution prior to the adoption of a redevelopment plan.

## Property Tax Collection Procedures

**Classifications.** 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.

**Collections.** The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts an order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent. A 10% penalty also applies to delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1 ½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due August 1 and become delinquent August 31.

**Supplemental Assessments.** A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498) provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the tax lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenue may increase.

**Property Tax Administration Costs.** In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. It has been the practice of most California counties, including the County, to reduce an agency’s tax increment or bill an agency for their *pro rata* share of property tax administration costs.

## **Unitary Property**

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

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

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

However, legislation adopted in 2006 (SB 1317, Chapter 872) and taking effect with the 2007-08 fiscal year required counties to transfer certain railroad properties into a countywide tax rate area from their existing tax rate area. Taxes on these properties are now distributed in a manner similar to other unitary properties, except that redevelopment agencies no longer share in the distribution. Because of this the Auditor-Controller has removed the corresponding valuations from the Agency's base year.

The State Board of Equalization assesses utility properties in the Project Area on a separate roll from locally-assessed secured and unsecured properties.

## **Statement of Indebtedness**

Section 33675 was added to the Redevelopment Law in 1976, providing for the filing not later than the first day of October of each year with the county auditor of a statement of indebtedness certified by the chief fiscal officer of the agency for each redevelopment project that receives tax increment. 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: (a) the total amount of principal and interest payable on all loans, advances or indebtedness (the "**Debt**"), both over the life of the Debt and for the current fiscal year, and (b) 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 revenue 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, but does not include Housing Set-Aside.

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 debt of the Agency; however, the County Auditor may dispute the statement of indebtedness in certain cases. Section 33675 provides for certain time limits controlling any dispute of the statement of

indebtedness, and allows for Superior Court determination of such dispute in the event it cannot be resolved by the Agency and the County Auditor. Any such action may only challenge the amount of the Debt as shown on the statement, and not the validity of any Debt or related contract or the expenditures related thereto. 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, 2009, Statement of Indebtedness included outstanding obligations sufficient to collect all of the tax increment currently generated in the Project Area for Fiscal Year 2008-09. The Agency expects that its future Statement of Indebtedness will also include outstanding obligations sufficient to collect all of the tax increment generated in the Project Area during the applicable fiscal year.

### **Exclusion of Tax Revenues for General Obligation Bonds Debt Service**

An initiative to amend the California Constitution entitled "Property Tax Revenues of Redevelopment Agencies" was approved by California voters at the November 8, 1988 general election. Under prior law, a redevelopment agency using tax increment revenue received additional property tax revenue whenever a local government increases its property tax rate to pay off its general obligation bonds. This initiative amended the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenue raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness. The initiative only applies to tax rates levied to finance bonds approved by the voters on or after January 1, 1989. The Agency receives no general obligation tax overrides.

### **Appropriations Limitations: Article XIII B of the California Constitution**

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

Effective September 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State of California, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions, *Brown v. Community Redevelopment Agency of the City of Santa Ana* and *Bell Community Redevelopment Agency v. Woosley*. The plaintiff in *Brown v. Community Redevelopment Agency of the City of Santa Ana* petitioned the California Supreme Court for a hearing of this case. The California Supreme Court formally denied the petition and therefore the earlier court decisions are now final and binding. On the basis of these court decisions, the Agency has not adopted an appropriations limit.

## NO LITIGATION

There is no litigation pending or, to the Agency's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Bonds, to contest the validity of the Bonds, the Indenture or any proceedings of the Agency with respect thereto. In the opinion of the Agency and its counsel, there are no lawsuits or claims pending against the Agency which will materially affect the Agency's finances so as to impair the ability to pay principal of and interest on the Bonds when due.

## TAX MATTERS

**Federal Tax Status.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The opinions set forth in the preceding paragraph are subject to the condition that the Agency comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

**Tax Treatment of Original Issue Discount and Premium.** If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

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

**Bank Qualified Designation.** The Agency has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, which provides an exception to the prohibition against the ability of a "financial institution" (as defined in the Internal Revenue Code of 1986) to deduct its interest expense allocable to tax-exempt interest, such that a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Bonds.

**Form of Bond Counsel Opinion.** Bond Counsel expects to deliver an opinion at the time of issuance of the Bonds in substantially the same form set forth in APPENDIX F.

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

### **CERTAIN LEGAL MATTERS**

The legal opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, approving the validity of the Bonds, in substantially the form attached hereto as APPENDIX F, will be made available to purchasers at the time of original delivery of the Bonds, and a copy thereof will be attached to each Bond. Jones Hall, A Professional Law Corporation, will also pass upon certain matters for the Agency as Disclosure Counsel. Certain matters will be passed upon for the Agency by the Aleshire & Wynder, LLP, Gardena, California, as Agency Counsel.

### **RATING**

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**"), has assigned its municipal bond rating of "BBB+" to the Bonds.

This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Agency has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

### **CONTINUING DISCLOSURE**

The Agency will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Agency, and to provide notices of the occurrence of certain enumerated events, if material.

The specific nature of the information to be contained in the annual report and 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 Securities Exchange Commission Rule 15c2 12(b)(5), as amended (the "Rule").

The Agency has not failed to meet its prior obligations to provide annual continuing disclosure reports or notices of material events under the Rule in the last five years.

In connection with the issuance by the Authority in November 2004 of its bonds captioned "\$9,955,000 2004 Revenue Bonds, Lompoc Public Financing Authority – Aquatic Center Project," the Authority executed a continuing disclosure certificate dated November 23, 2004, under which it agreed to provide certain annual financial information and operating data relating to the Agency, the City and the Authority. For Fiscal Years 2003-04 through 2008-09, the

Authority's annual filings were incomplete and failed to include all of the information required under its continuing disclosure certificate. In June 2010, the Authority made all of the outstanding filings by submitting complete reports for the missing Fiscal Years with the MSRB; the report for Fiscal year 2008-09 contained unaudited financial statements because the City's audited financial statements are not currently available. In addition, the Authority, the Agency and the City are implementing new procedures with respect to continuing disclosure undertakings, and expect to comply with such undertakings in the future.

### **UNDERWRITING**

Under the terms of a competitive sale held on June 15, 2010, Stone & Youngberg LLC, as underwriter (the "**Underwriter**"), has agreed to purchase the Bonds from the Authority at a purchase price of \$8,254,076.60, which represents the aggregate principal amount of the Bonds (\$8,385,000.00), less a net original issue discount of \$52,438.85, and less an Underwriter's discount of \$78,484.55.

The Underwriter has agreed to purchase all of the Bonds if any are purchased. The Bonds are offered for sale at the initial prices stated on the inside cover page of this Official Statement, which may be changed from time to time by the Underwriter. The Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

### **FINANCIAL ADVISOR**

KNN Public Finance, A Division of Zions First National Bank, served as Financial Advisor to the Agency in connection with the issuance of the Bonds. In connection with the Official Statement, the Financial Advisor has relied upon Agency officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Agency to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

### **PROFESSIONAL FEES**

In connection with the execution and delivery of the Bonds, fees payable to Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel, KNN Public Finance, A Division of Zions First National Bank, as Financial Advisor, and U.S. Bank National Association, as Trustee, are contingent upon the execution and delivery of the Bonds.

### **EXECUTION**

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

LOMPOC REDEVELOPMENT AGENCY

By:           /s/ Laurel M. Barcelona            
Laurel M. Barcelona,  
Executive Director

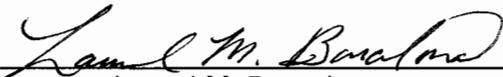
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In connection with the execution and delivery of the Bonds, fees payable to Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel, KNN Public Finance, A Division of Zions First National Bank, as Financial Advisor, and U.S. Bank National Association, as Trustee, are contingent upon the execution and delivery of the Bonds.

## EXECUTION

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

LOMPOC REDEVELOPMENT AGENCY

By:   
Laurel M. Barcelona,  
Executive Director

**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY  
FOR FISCAL YEAR ENDED JUNE 30, 2009**

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**LOMPOC REDEVELOPMENT AGENCY**  
**BASIC FINANCIAL STATEMENTS**  
June 30, 2009

**LOMPOC REDEVELOPMENT AGENCY**  
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**June 30, 2009**

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Lompoc Redevelopment Agency  
Lompoc, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lompoc Redevelopment Agency (Agency), a component unit of the City of Lompoc, California (City), as of and for the fiscal year ended June 30, 2009, which collectively comprise the Agency's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 and each major fund of the Agency, as of June 30, 2009, and the respective changes in the financial position thereof, and the budgetary comparison for the Low and Moderate Special Revenue Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to basic financial statements effective July 1, 2008, the Lompoc Redevelopment Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*.

The Management's Discussion and Analysis on pages 2 through 6, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2009, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

MOSS, LEVY & HARTZHEIM LLP

*Moss, Levy & Hartzheim LLP*

December 5, 2009

## **Management's Discussion and Analysis**

As management of the City of Lompoc's Redevelopment Agency (the "Agency"), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information provided in the Redevelopment Agency's financial statements.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise 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 (see pages 7 – 8) are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns, which add to a total for the Primary government.

The *statement of net assets* (the "Unrestricted Net Assets") is designed to be similar to a bottom line for the Agency and it's governmental and business-type activities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term obligations.

The *statement of activities* presents information showing how the Agency's net assets changed during the 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 the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only 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 distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

### **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 included in the governmental funds category.

**Governmental Funds.** The Agency’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental statements provide a detailed short-term view of the Agency’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements. The basic governmental fund financial statements can be found on pages 10 - 17 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 – 24 of this report.

**Financial Analysis of the Agency as a Whole**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Agency, assets exceeded liabilities by \$2,256,029 at June 30, 2009.

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2009</b>
Current and other assets	\$8,738,982	\$9,659,934
Bond Issuance Costs	251,976	242,284
Capital assets	1,449,606	2,165,738
<b>Total assets</b>	<b>10,440,564</b>	<b>12,067,956</b>
Current liabilities	838,437	1,097,171
Long-term liabilities	8,896,409	8,714,756
<b>Total liabilities</b>	<b>9,734,846</b>	<b>9,811,927</b>
Net assets:		
Invested in capital assets, net of related debt		
Restricted	4,148,863	4,634,760
Unrestricted	(3,443,145)	(2,378,731)
<b>Total net assets</b>	<b>\$705,718</b>	<b>\$2,256,029</b>

## CHANGES IN THE LOMPOC REDEVELOPMENT AGENCY'S NET ASSETS

	Governmental Activities	
	2008	2009
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ -	\$ -
<b>General revenues:</b>		
Property taxes	2,985,935	2,967,067
Investment income	253,708	138,152
Other revenues	483,138	150,799
<b>Total revenues</b>	3,722,781	3,256,018
<b>Expenses:</b>		
<b>Governmental activities:</b>		
Community development	1,440,345	1,705,707
<b>Total expenses</b>	1,440,345	1,705,707
<b>Increase (decrease) in net assets</b>	2,282,436	1,550,311
Beginning net assets	(2,315,792)	705,718
Prior period adjustment	739,074	
Beginning net assets, restated	(1,576,718)	705,718
Ending net assets	\$705,718	\$2,256,029

**Governmental Activities:** Governmental activities increased the Agency's net assets by \$1,550,311. The key element of this increase is as follows:

- Declining activity in project expenditures such as capital outlay and loan activity. For example, improvements to Pocket Park for \$985,000, Charlotte's Web Children's Library for \$350,000 and the Lompoc Theatre for \$750,000 were not expended.
- The above declines in expenditures were partially offset by a decline in revenues. Investment income decreased due to lower interest rates. Other revenue decreased due to prior year receipt of proposition 40 grant revenue used to partially finance the Aquatic Center construction.

### **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 \$9,160,169. Approximately 36 percent of this amount (\$3,270,948) constitutes *unreserved fund balance*, which is available for spending on qualified Agency projects at the Board's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for loans receivable (\$3,625,751), 2) for low-income housing purposes (\$1,930,495), 3) and debt service (\$332,975).

**Budgetary Highlights**

Low and Moderate Special Revenue Fund

Actual revenues were greater than the budget by \$15,789. The factors contributing to the enhanced revenues have been discussed under *Governmental Activities*.

Actual expenditures were less than the budget by \$83,343. This decrease was due to lower operating costs than budgeted.

**Capital Asset and Debt Administration**

**Capital Assets**

As of year-end, the Agency had \$2,165,738 invested in a range of capital assets, net of depreciation, as reflected in the following schedule:

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2009</b>
Construction in progress	\$247,855	\$963,987
Land and land rights	1,201,751	1,201,751
Totals	<u>\$1,449,606</u>	<u>\$2,165,738</u>

The primary addition to construction in progress was for the purchase of the land for the new community center for \$370,000 and the remainder for the purchase of the South G Street property.

## Long Term Debt

At the end of the current fiscal year, the Agency had long-term debt outstanding of \$8,896,554. This amount represents long-term loans and revenue bonds payable.

	Governmental Activities	
	2008	2009
Revenue bonds payable	\$7,050,000	\$6,895,000
Loans payable	1,943,983	1,925,862
Capital lease payable	78,211	75,692
Totals	\$9,072,194	\$8,896,554

In November of 2004, the Agency issued revenue bonds in the amount of \$7,350,000. Principal amount of \$155,000 was paid on these bonds during the current fiscal year. The proceeds from the revenue bonds were used in the construction of the City of Lompoc's Aquatic Center.

## Relevant Current Economic Factors, Decisions, and Conditions

The State of California's budget crisis has caused uncertainty in the government sector. This is especially true for Redevelopment Agencies, which are being required to fund the State's huge deficit. Under ABX4-26 signed by the Governor in 2009, the State is confiscating \$2.05 billion in RDA tax increment statewide. The Agency's takeaway is \$962,000. The California Redevelopment Association has filed a lawsuit challenging the State takeaway.

This confiscation of tax increment has been taken into account when preparing the Agency's budget for fiscal year 2010.

In addition, Tax Allocation Bonds (TABS) are expected to be issued in fiscal year 2010 for approximately \$8.1 million. The proceeds of the TABS will be used to construct a Community Center and provide for a dehumidification system and rehabilitation work at the Aquatic Center.

## Requests for Information

This financial report is designed to provide a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rene Vise', Management Services Director, 100 Civic Center Plaza, Lompoc, CA 93436.

**BASIC FINANCIAL STATEMENTS**

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**LOMPOC REDEVELOPMENT AGENCY**  
**STATEMENT OF NET ASSETS**  
June 30, 2009

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 5,879,190
Accounts receivable	119,811
Interest receivable	25,583
Loans receivable	3,625,751
Property tax receivable	<u>9,599</u>
Total current assets	<u>9,659,934</u>
Noncurrent assets:	
Bond issuance costs, net of accumulated amortization	<u>242,284</u>
Capital assets:	
Non depreciable assets	2,165,738
Depreciable	620,712
Less accumulated depreciation	<u>(620,712)</u>
Total capital assets	<u>2,165,738</u>
Total assets	<u>12,067,956</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	499,765
Interest payable	415,608
Noncurrent liabilities:	
Due within one year	181,798
Due in more than a year	<u>8,714,756</u>
Total liabilities	<u>9,811,927</u>
<b>NET ASSETS</b>	
Restricted for:	
Low income housing	4,634,760
Unrestricted	<u>(2,378,731)</u>
Total net assets	<u>\$ 2,256,029</u>

See notes to basic financial statements

**LOMPOC REDEVELOPMENT AGENCY**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Community development	\$ 1,705,707	\$ -	\$ -	\$ (1,705,707)
Total governmental activities	\$ 1,705,707	\$ -	\$ -	(1,705,707)
General revenues:				
				2,967,067
				138,152
				150,799
				<u>3,256,018</u>
				1,550,311
				<u>705,718</u>
				<u>\$ 2,256,029</u>

See notes to basic financial statements

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**LOMPOC REDEVELOPMENT AGENCY**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2009**

	Low and Moderate Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Aquatic Center Capital Project Fund
<b>ASSETS</b>				
Cash and investments	\$ 1,922,604	\$ 316,446	\$ 3,590,700	\$ 42,578
Accounts receivable			119,811	
Interest receivable	7,795	9,339	8,449	
Loans receivable	2,704,265		921,486	
Property tax receivable	1,920	7,679		
Due from other funds			500,000	
<b>Total assets</b>	<b>\$ 4,636,584</b>	<b>\$ 333,464</b>	<b>\$ 5,140,446</b>	<b>\$ 42,578</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,824	\$ 489	\$ 378,911	\$ -
Due to other funds				
<b>Total liabilities</b>	<b>1,824</b>	<b>489</b>	<b>378,911</b>	
Fund Balances:				
Reserved:				
Low income housing	1,930,495			
Debt service		332,975		
Loans receivable	2,704,265		921,486	
Unreserved:				
Undesignated			3,840,049	42,578
<b>Total fund balances</b>	<b>4,634,760</b>	<b>332,975</b>	<b>4,761,535</b>	<b>42,578</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,636,584</b>	<b>\$ 333,464</b>	<b>\$ 5,140,446</b>	<b>\$ 42,578</b>

See notes to basic financial statements

<u>TABS Construction Fund</u>	<u>Total Governmental Funds</u>
\$ 6,862	\$ 5,879,190
	119,811
	25,583
	3,625,751
	9,599
	<u>500,000</u>
<u>\$ 6,862</u>	<u>\$ 10,159,934</u>

\$ 118,541	\$ 499,765
<u>500,000</u>	<u>500,000</u>
<u>618,541</u>	<u>999,765</u>

	1,930,495
	332,975
	3,625,751
<u>(611,679)</u>	<u>3,270,948</u>
<u>(611,679)</u>	<u>9,160,169</u>
<u>\$ 6,862</u>	<u>\$ 10,159,934</u>

**LOMPOC REDEVELOPMENT AGENCY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

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Total fund balances - governmental funds \$ 9,160,169

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Capital assets at historical cost	\$	2,786,450
Accumulated depreciation		<u>620,712</u>

Net		2,165,738
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Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet. (415,608)

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. 242,284

Long-term liabilities are not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were as follows:

Bonds payable	\$	6,895,000
City loan payable		175,862
Capital lease payable		75,692
CHFA loan payable		<u>1,750,000</u>

(8,896,554)

Total net assets - governmental activities		<u>\$ 2,256,029</u>
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**LOMPOC REDEVELOPMENT AGENCY**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2009**

	Low and Moderate Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Aquatic Center Capital Project Fund
<b>Revenues:</b>				
Property taxes	\$ 593,413	\$ 2,373,654	\$ -	\$ -
Use of money and property	48,715	60,605	41,479	
Other revenues	18,236		119,916	
<b>Total revenues</b>	<b>660,364</b>	<b>2,434,259</b>	<b>161,395</b>	
<b>Expenditures:</b>				
<b>Current:</b>				
Community development	174,467	1,191	1,143,892	5,721
<b>Debt service:</b>				
Principal		155,000	20,640	
Interest		305,882	13,752	
Capital outlay			104,453	
<b>Total expenditures</b>	<b>174,467</b>	<b>462,073</b>	<b>1,282,737</b>	<b>5,721</b>
<b>Revenues over (under) expenditures</b>	<b>485,897</b>	<b>1,972,186</b>	<b>(1,121,342)</b>	<b>(5,721)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in			1,991,361	
Transfers out		(1,991,361)		
<b>Total other financing sources (uses)</b>		<b>(1,991,361)</b>	<b>1,991,361</b>	
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>485,897</b>	<b>(19,175)</b>	<b>870,019</b>	<b>(5,721)</b>
Fund balances, beginning of fiscal year	4,148,863	352,150	3,891,516	48,299
<b>Fund balances, end of fiscal year</b>	<b>\$ 4,634,760</b>	<b>\$ 332,975</b>	<b>\$ 4,761,535</b>	<b>\$ 42,578</b>

See notes to basic financial statements

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TABS Construction Fund	Total Governmental Funds
\$ -	\$ 2,967,067
	150,799
	138,152
	<u>3,256,018</u>
	1,325,271
	175,640
	319,634
<u>611,679</u>	<u>716,132</u>
<u>611,679</u>	<u>2,536,677</u>
<u>(611,679)</u>	<u>719,341</u>
	1,991,361
	<u>(1,991,361)</u>
	<u>719,341</u>
<u>(611,679)</u>	<u>8,440,828</u>
<u>\$ (611,679)</u>	<u>\$ 9,160,169</u>

**LOMPOC REDEVELOPMENT AGENCY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

**For the Fiscal Year Ended June 30, 2009**

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Net Change in Fund Balances - Governmental Funds \$ 719,341

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$716,132, is more than depreciation expense \$0 in the period. 716,132

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during but owing from the prior period was: (51,110)

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. (9,692)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. 175,640

Change in Net Assets - Governmental Activities \$ 1,550,311

**LOMPOC REDEVELOPMENT AGENCY**  
**LOW AND MODERATE SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 595,800	\$ 595,800	\$ 593,413	\$ (2,387)
Use of money and property	30,000	30,000	48,715	18,715
Other revenues	18,775	18,775	18,236	(539)
<b>Total revenues</b>	<u>644,575</u>	<u>644,575</u>	<u>660,364</u>	<u>15,789</u>
<b>Expenditures:</b>				
Community development	251,810	257,810	174,467	83,343
<b>Total expenditures</b>	<u>251,810</u>	<u>257,810</u>	<u>174,467</u>	<u>83,343</u>
Excess of revenues over (under) expenditures	392,765	386,765	485,897	99,132
Fund balance - July 1	<u>4,148,863</u>	<u>4,148,863</u>	<u>4,148,863</u>	
Fund balance - June 30	<u>\$ 4,541,628</u>	<u>\$ 4,535,628</u>	<u>\$ 4,634,760</u>	<u>\$ 99,132</u>

See notes to basic financial statements

**LOMPOC REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Lompoc Redevelopment Agency (Agency) of the City of Lompoc, California, (City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting purposes. The more significant of the Agency's accounting policies are described below.

**A. Organization**

The Agency was formed in 1970. No redevelopment projects were approved and funded until the Lompoc City Council passed resolution #3364 on June 19, 1984. This set up the budget and funding for the downtown redevelopment project as provided by the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 et. seq.). The Agency is to undertake redevelopment of the downtown area of the City of Lompoc.

**B. Description of Funds**

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial requirements.

**C. Government-wide Financial Statements**

The Agency's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities for the Agency. The Agency does not have any business-type activities, therefore only governmental activities are reported.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the Agency in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

**D. Fund Financial Statements**

Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the government-wide financial statements. The Agency has presented all funds as major.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after fiscal year end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are increment property tax, intergovernmental revenues, other taxes, interest revenues, rental revenues, and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**LOMPOC REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2009

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Fund Financial Statements (Continued)

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government received resources 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, the deferred revenue from the balance sheet and revenue is recognized.

The Reconciliations of the Fund Financial Statements to the Government-wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

E. Use of Estimate

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect the reported amounts of assets, liabilities, revenues, and expenditures or expenses, as appropriate. Actual results could differ from those estimates.

F. Property Tax Revenues

Incremental property tax revenues represent property taxes in each project area arising from increase assessed valuations over base valuations established at the inception of the project area. Incremental property taxes from each project area accrue to the Agency until all liabilities and commitments of the project area have been repaid (including cumulative funds provided or committed by the Agency). After all such indebtedness has been repaid, all property taxes from the project area revert back to the various taxing authorities.

G. Low and Moderate Income Housing

The California Health and Safety Code requires Agency project area to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of incremental revenues in excess of debt service payments on the bond) into a Low and Moderate Income Housing Fund. This money is restricted for the purpose of increasing and improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

H. Capital Assets

The Agency's capital assets are capitalized at historical cost or estimated historical cost. Agency's policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of these assets, as follows:

Structures and improvements	4-40 years
Equipment	6-25 years

I. Net Assets

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Assets – external creditors, grantors, contributors, or laws or regulations of other governments restrict this amount.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

J. Fund Balance

Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws, that required a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

**LOMPOC REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. New Accounting Pronouncements**

**Governmental Accounting Standards Board Statement No. 49**

For the fiscal year ended June 30, 2009, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". The Statement is effective for periods beginning after December 15, 2007. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and clean ups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. Implementation of the GASB Statement No. 49, did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2009.

**Governmental Accounting Standards Board Statement No. 52**

For the fiscal year ended June 30, 2009, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". The Statement is effective for periods beginning after June 15, 2008. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. Implementation of the GASB Statement No. 52, did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2009.

**Governmental Accounting Standards Board Statement No. 55**

For the fiscal year ended June 30, 2009, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The Statement is effective as of April 2, 2009. The objective of this Statement is to incorporate the hierarchy of Generally Accepted Accounting Principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. Implementation of the GASB Statement No. 55, did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2009.

**Governmental Accounting Standards Board Statement No. 56**

For the fiscal year ended June 30, 2009, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards". The statement is effective as of April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statement on Auditing Standards. This Statement addresses three issues not included in the authority's literature that established *accounting* principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. Implementation of the GASB Statement No. 56, did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2009.

**LOMPOC REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2009

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**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2009, consisted of the following:

Cash and investments pooled with the City	\$ <u>5,879,190</u>
Total cash and investments	\$ <u>5,879,190</u>

See the City's Comprehensive Annual Financial Report for the disclosures related to cash and investments and the custodial risk categorization.

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
<b>Non depreciable capital assets:</b>				
Construction in progress	\$ 247,855	\$ 716,132	\$ -	\$ 963,987
Land	1,201,751			1,201,751
Total non depreciable capital assets	<u>\$ 1,449,606</u>	<u>\$ 716,132</u>	<u>\$ -</u>	<u>\$ 2,165,738</u>
<b>Depreciable capital assets:</b>				
Equipment	\$ 4,483	\$ -	\$ -	\$ 4,483
Building and improvements	616,229			616,229
Total depreciable capital assets	620,712			620,712
Less accumulated depreciation	<u>(620,712)</u>			<u>(620,712)</u>
Total depreciable assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net capital assets	<u>\$ 1,449,606</u>	<u>\$ 716,132</u>	<u>\$ -</u>	<u>\$ 2,165,738</u>

**NOTE 4 - OTHER LONG-TERM DEBT**

City of Lompoc

A loan agreement between the City of Lompoc and the Agency was approved in January 1987, and the sum of \$233,000 was forwarded to the Agency in January 1987. The Agency agreed to pay 7% interest per annum on the funds borrowed at the time of repayment of the loan. The Agency also agreed to repay all the funds as soon as possible, but no later than five years from receipt of the funds. In June 1993, the Agency agreed to pay off this loan over the next 16 years. Payments are \$2,020.59 per month including interest. During 1998, an additional amount was loaned from the City, pursuant to a cooperative agreement to analyze and consider the adoption of more project areas.

In August 1999, the Agency renegotiated the original loan agreement with the City of Lompoc. The new monthly payments are \$1,197.11 per month over the next 20 years, including interest at 5.5%.

In August 1999, a new loan agreement was approved in the amount of \$22,700. This loan has an annual interest rate of 5.5% and is payable in monthly installments of \$185.48 for 15 years.

In November 1999, another loan agreement was approved in the amount of \$119,801. This loan is payable in monthly installments of \$978.87 for 15 years, including interest at 5.5%.

**LOMPOC REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 4 – OTHER LONG-TERM DEBT (Continued)**

California Housing Finance Agency

In fiscal year 2000-01, the Agency received two CHFA-HELP loans amounting to \$288,825, to be used for low-income housing. The loans are payable in ten years, accruing interest at 3% per annum. In fiscal year 2001-2002, the Agency received \$711,175 in additional loans. The Agency in fiscal year 2003-2004, received \$105,000 in additional loans. The Agency in fiscal year 2005-2006, received \$645,000 in additional loans. The principal balance of these loans at June 30, 2009, was \$1,750,000. The accrued interest for these loans at June 30, 2009, was \$316,450. The loans accrue interest equal to 3% simple per annum. The principal and interest on these loans are due on August 9, 2010.

Capital Lease

The City of Lompoc entered into an energy services contract with Chevron Energy Solutions Company. The Agency's portion of \$78,361, includes fire alarm and security system installation at the City's museum. The term of the lease began on September 4, 2007, and terminates on June 10, 2027, with an annual interest rate of 4.55% payable on a semi-annual basis. Future minimum lease obligations and the net present value of the minimum lease payment as of June 30, 2009, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Payment</u>
2010	\$ 6,205
2011	6,205
2012	6,205
2013	6,205
2,014	6,205
Thereafter	<u>80,661</u>
Total payments	111,686
Less: amount representing interest	<u>35,994</u>
	<u>\$ 75,692</u>

**NOTE 5 – BONDED DEBT**

Revenue Bond

The Agency issues bonds where it pledges income derived from tax increment for the acquired or constructed assets to pay debt service. The Agency issued \$7,350,000 of tax revenue bonds to finance construction projects relating to an Aquatics Center.

The outstanding revenue bonded debt of the City of Lompoc's Redevelopment Agency at June 30, 2009, is:

<u>Date Of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2008</u>	<u>Issued Current Fiscal Year</u>	<u>Redeemed Current Fiscal Year</u>	<u>Outstanding June 30, 2009</u>
2004	2.75%-4.85%	2035	<u>\$ 7,350,000</u>	<u>\$ 7,050,000</u>	<u>\$ -</u>	<u>\$ 155,000</u>	<u>\$ 6,895,000</u>

**LOMPOC REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2009

**NOTE 5 – BONDED DEBT (Continued)**

Revenue Bond (Continued)

The annual requirements to amortize the 2004 Revenue bonds payable outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 160,000	\$ 301,686	\$ 461,686
2011	160,000	296,886	456,886
2012	165,000	291,495	456,495
2013	170,000	285,423	455,423
2014	175,000	279,170	454,170
2015-2019	990,000	1,288,549	2,278,549
2020-2024	1,205,000	1,064,984	2,269,984
2025-2029	1,510,000	757,105	2,267,105
2030-2034	1,920,000	779,625	2,699,625
2035	440,000	10,670	450,670
	<u>\$ 6,895,000</u>	<u>\$ 5,355,593</u>	<u>\$ 12,250,593</u>

**NOTE 6 –LONG-TERM DEBT –SCHEDULE OF CHANGES**

A schedule of changes in long-term debt for the fiscal year ended June 30, 2009, is shown below:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due within one year
Tax revenue bonds payable	\$ 7,050,000	\$ -	\$ 155,000	\$ 6,895,000	\$ 160,000
City loan payable	193,983		18,121	175,862	19,006
Capital lease payable	78,211		2,519	75,692	2,792
CHFA	1,750,000			1,750,000	
Total	<u>\$ 9,072,194</u>	<u>\$ -</u>	<u>\$ 175,640</u>	<u>\$ 8,896,554</u>	<u>\$ 181,798</u>

**NOTE 7 – LOANS RECEIVABLE**

The Agency loans the low and moderate tax increment set-aside taxes to low and moderate income families and other organizations. The loans are collateralized by the property and generally mature upon the sale of the property. The loans principal and interest amounts are deferred and due at maturity. At June 30, 2009, these outstanding loans totaled \$2,704,265, and bear interest ranging from 0% to 7%.

The Capital Projects Fund also has \$921,486 of loans receivable at June 30, 2009.

**LOMPOC REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2009

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**NOTE 8 - INTERFUND TRANSACTIONS**

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2009, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Capital Projects Fund	\$ 500,000	\$ -
TABS Construction Fund		<u>500,000</u>
	<u>\$ 500,000</u>	<u>\$ 500,000</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2008-2009 fiscal year, are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	Debt Service Fund	\$ 1,991,361

**NOTE 9 – LOW AND MODERATE SPECIAL REVENUE FUND**

California Redevelopment Law requires that each fiscal year, 20% of the Agency's gross tax increment revenue be set aside to enhance the City's supply of housing available to low and moderate income persons. During fiscal year 2008/2009, the Agency set aside for this purpose totaled \$593,413.

The Redevelopment Agency spent \$174,467 during fiscal year 2008/2009, for low and moderate income housing programs, and administration thereof.

At July 1, 2009, the Agency had excess surplus in the amount of \$1,043,981, as defined under the California Health and Safety Code Section 33334.12.

**NOTE 10 – DEFICIT FUND BALANCE**

A deficit fund balance of \$611,679, exists in the TABS Construction Fund. The deficit is due to the Agency incurring costs in excess of revenues.

**NOTE 11 – CONTINGENT LIABILITIES**

No contingent liabilities are outstanding as of June 30, 2009, according to the Agency's attorney.



MOSS, LEVY & HARTZHEIM LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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**AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Lompoc Redevelopment Agency  
Lompoc, California

We have audited the financial statements of the governmental activities and each major fund of the Lompoc Redevelopment Agency (the Agency), a component unit of the City of Lompoc, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies issued by the State Controller's Office, Division of Accounting and Reporting. 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 one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the findings and recommendations of this report. We did not audit the Lompoc Redevelopment Agency's response, and accordingly, we do express such opinion.

This report is intended solely for the information and use of the Agency's Board of Directors, Management, and the California State Controller's Office Division of Accounting and Reporting, and is not intended to be and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTZHEIM LLP

*Moss, Levy & Hartzheim LLP*

December 5, 2009

**LOMPOC REDEVELOPMENT AGENCY  
FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2009**

**Finding:**

As of June 30, 2009, the Agency has excess surplus in the Low Moderate Fund in the amount of \$1,043,981.

**Recommendation:**

Management should prepare an appropriate course of action to eliminate the excess surplus by transferring the funds to a housing authority or other public agency or expend or encumber those funds. This decision should be made no later than June 30, 2010. The Agency has until June 30, 2012 to transfer, expend, or encumber those funds.

**Agency's Response:**

The Agency is planning on loaning \$1.8 million for low income housing during the 2009-2010 fiscal year.

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**APPENDIX B**  
**FISCAL CONSULTANT REPORT**

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**FISCAL CONSULTANT REPORT  
FOR THE  
LOMPOC REDEVELOPMENT AGENCY  
OLD TOWN LOMPOC REDEVELOPMENT PROJECT  
TAX ALLOCATION BONDS  
SERIES 2010**

JUNE 3, 2010

Urban  
Analytics

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## **INTRODUCTION**

In connection with the issuance of the Old Town Lompoc Redevelopment Project Tax Allocation Bonds, Series 2010 (the Bonds), the Redevelopment Agency of the City of Lompoc (the Agency) has retained Urban Analytics (the Consultant) as fiscal consultant to evaluate available tax increment revenue and provide a Fiscal Consultant Report (this Report).

The Report provides a review of various matters affecting the Agency's receipt of tax increment in the Old Town Lompoc Redevelopment Project (the Project Area), pursuant to the Redevelopment Plan for the Old Town Lompoc Redevelopment Project (the Redevelopment Plan). The Project Area consists of an original area and two areas added to the Project Area by amendment of the Redevelopment Plan. The Project Area comprises approximately 1,037 acres within the City of Lompoc.

The Report also presents a projection of tax increment available to the Agency over the life of the Project Area. This projection incorporates the termination date of the Project Area and projects assessed valuation growth at a two percent growth rate after accounting for expected roll adjustments.

This Report is based in part on assessed valuation information provided by the County of Santa Barbara (the County); on the County's assessment and apportionment practices; on base year assessed valuation for the Project Area as reported by the County; and on information regarding redevelopment plan terms provided by Agency staff.

## **SUMMARY OF FINDINGS**

The Project Area is expected to generate \$1,650,728 in property tax increment available for debt service in 2009-10, after deduction of the County property tax administration fee and the 20% low-moderate income housing contribution. The Agency's ability to collect tax increment from the Project Area is expected to entirely cease on July 16, 2048 when the Redevelopment Plan statutory limit on tax increment receipt in the Amendment Number 2 sub-area is reached; tax increment receipts from the Original sub-area and Amendment Number 1 sub-area will cease when their plan limits are reached on, respectively, November 20, 2035 and July 14, 2044. Tax increment in the Original sub-area is subject to an annual revenue limit that may constrain tax increment receipts in that sub-area.

## **THE PROJECT AREA AND THE REDEVELOPMENT PLAN**

Formed on November 20, 1984 the Project Area is comprised of the Original Area and areas added by Amendment Number 1 and Amendment Number 2 (general information on the Project Area is presented in Table 1; land usage, parcel counts and assessed valuation for the Project Area are shown in Table 3). The Project Area includes 2,247 parcels, of which 1,586 are residential.

The Old Town Lompoc Redevelopment Project is subject to the statutory provisions of the Community Redevelopment Law. As the Original sub-area was established prior to the effective date of AB1290 (a major revision of redevelopment law that took effect in 1994) the Redevelopment Plan for that sub-area contains certain limits that are not applicable to the two other sub-areas. The Original sub-area is subject to an annual limit of \$1,000,000 on the amount of gross tax increment that may be allocated to the Agency from that sub-area, as discussed further below. The Original sub-area is also subject both to statutory

passthrough payments and to contractual passthrough agreements with certain taxing entities that do not apply to the other two sub-areas. The Amendment Number 1 and 2 sub-areas are subject to statutory passthrough obligations only.

Table 1  
General Information Regarding the Project Area  
and the Redevelopment Plan

	Original Area	Amendment 1	Amendment 2
Plan Adoption/Amendment Date	November 20, 1984	July 14, 1998	July 16, 2002
Adoption/Amendment Ordinance Number	1213 (84)	1439 (98)	1472 (01)
<b>Plan Limits:</b>			
- Last Date for Debt Issuance (1)	No Limit	July 14, 2018	July 16, 2022
- Plan Effectiveness (2)	November 20, 2025	July 14, 2029	July 16, 2033
- Last Date for Receipt of Tax Increment (2)	November 20, 2035	July 14, 2044	July 16, 2048
- Amount of Bonded Indebtedness	\$ 10,000,000	\$ 50,000,000	\$ 25,000,000
- Annual Limit on Gross Tax Increment	\$ 1,000,000	No Limit	No Limit
Contractual Passthroughs	Yes	No	No
Statutory Passthroughs	Yes	Yes	Yes
Project Area Acreage	80	872	85
Base Year	1984/85	1997/98	2001/02
Base Year Assessed Valuation	\$ 17,481,757	\$ 251,633,843	\$ 3,272,966
Current Year Assessed Valuation	\$ 49,454,560	\$ 489,192,328	\$ 6,754,992
Current Incremental AV	\$ 31,972,803	\$ 237,558,485	\$ 3,482,026
Net Tax Increment	\$ 234,038	\$ 1,395,894	\$ 20,796
<b>Percentage of AV in:</b>			
- Residential use	13.0%	64.8%	0.0%
- Commercial use	82.4%	28.1%	0.0%
- Industrial use	2.6%	5.5%	60.4%
- Vacant and other uses	2.0%	1.6%	39.6%

(1) Removed as to Original Area by Ordinance 1485 (03). Debt incurrence in Amendment Area 1 and 2 may extend past the dates shown for certain housing purposes.

(2) Extended in each area by one year to the dates shown by Ordinance 1535 (06)

Source: Lompoc Redevelopment Agency, Urban Analytics

The Redevelopment Plan for the Original sub-area was adopted in November 1984, prior to the statutory revisions brought about by AB1290. Plans adopted prior to AB1290 were required to contain a limitation on the amount of tax increment received. While this limitation is commonly established as a maximum amount that can be collected over the life of a redevelopment plan, the limit contained in the Redevelopment Plan for the Original sub-area is a maximum amount of \$1 million in tax increment that may be allocated to the Agency from that sub-area in a given year. As the two sub-areas added by amendment were adopted after AB1290, this limit does not apply to either of them. The 2009-10 net tax increment from the Original sub-area is \$234,038

As shown in Table 1, The Plan also contains statutory time limits on the receipt of tax increment for each sub-area – fifty years from plan adoption for pre-1994 plans and forty-five years from plan adoption for post-1993 plans. SB1045 enabled redevelopment agencies to extend by one year the deadline for plan effectiveness and receipt of tax increment in connection with the 2003-04 ERAF payment. The Agency adopted such a plan extension by Ordinance 1535 (06).

Redevelopment activity can occur for forty years from Redevelopment Plan adoption for pre-1994 plans and thirty years for post-1993 plans. These dates, with the one-year extension permitted by SB1045, are shown in Table 1. The Agency may incur indebtedness in the two amended sub-areas for twenty years from Redevelopment Plan adoption; debt may be incurred beyond this limit for specific housing-related purposes. The time limit on debt incurrence for the Original sub-area was removed as permitted under redevelopment law governing pre-1994 plans. The amount of bonded indebtedness that may be outstanding at any one time is \$10,000,000 in the Original sub-area, \$50,000,000 in the Amendment Number 1 sub-area and \$25,000,000 in the Amendment Number 2 sub-area.

Legislation passed in 2004 (SB1096) permits redevelopment agencies to extend their ability to collect tax increment by one year for each ERAF payment made in 2004-05 and 2005-06. However, the extensions apply only to redevelopment plans having existing limits on plan effectiveness less than twenty years from the last day of the fiscal year in which the ERAF payment is made; as the remaining Plan effectiveness for the Project Area is greater than twenty years the Plan time limits may not be further extended under SB1096.

The Auditor-Controller maintains the base year assessed valuation by secured, unsecured and utility roll. As shown in Table 2 below, the incremental assessed valuation – and thus tax increment – is derived largely from increases on the secured roll. Incremental assessed valuation for the unsecured roll is approximately three percent of the overall total incremental value. The 2009-10 secured roll exceeds the base year valuation by \$254 million; total incremental valuation for 2009-10 is \$273,013,314.

Table 2  
Incremental Assessed Valuation By Roll, 2009-10

	Secured and Utility Rolls	Unsecured Roll	Total
Current Year AV	\$ 517,657,086	\$ 27,744,794	\$ 545,401,880
Base Year AV	253,546,452	18,842,114	272,388,566
Incremental AV	254,110,634	8,902,680	273,013,314

Source: County of Santa Barbara, Urban Analytics

Table 3  
Land Use Within the Old Town Lompoc Project Area, 2009-10

Land Use	Secured Assessed Valuation (1)	Pct of Total Valuation	Number of Parcels	Pct Of Total Parcels	Acres (2)	Pct of Total Acres
<b>Agricultural</b>	734,070	0.1%	2	0.1%	30.1	4.3%
<b>Commercial</b>						
Retail Stores, Single Story	35,909,927	7.0%	86	3.8%	36.0	5.1%
Shopping Centers (Reg.)	21,399,058	4.2%	1	0.0%	12.9	1.8%
Service Stations	13,659,911	2.7%	22	1.0%	10.0	1.4%
Shopping Centers (Nbrhd)	12,261,758	2.4%	7	0.3%	10.6	1.5%
Restaurants, Lounges	10,966,689	2.1%	27	1.2%	7.6	1.1%
Professional Buildings	8,210,785	1.6%	20	0.9%	4.0	0.6%
Commercial	8,125,628	1.6%	42	1.9%	29.6	4.2%
Auto Sales, Repair, etc.	7,719,029	1.5%	26	1.2%	11.1	1.6%
Office Buildings (1 Story)	7,376,760	1.4%	29	1.3%	6.8	1.0%
Banks	6,350,461	1.2%	4	0.2%	4.7	0.7%
Other Commercial	34,444,966	6.7%	95	4.2%	38.4	5.5%
Total Commercial	166,424,972	32.4%	359	16.0%	172	24.4%
<b>Industrial</b>						
Warehousing	17,037,272	3.3%	33	1.5%	34.5	4.9%
Light Manufacturing	6,330,989	1.2%	19	0.8%	7.6	1.1%
Other Industrial	7,112,311	1.4%	65	2.9%	11.8	1.7%
Total Industrial	30,480,572	5.9%	117	5.2%	53.9	7.7%
<b>Single-Family Residential</b>	99,046,464	19.3%	760	33.8%	122	17.3%
<b>Other Residential</b>						
Residential Rentals	100,667,797	19.6%	480	21.4%	87.4	12.4%
Apartments (5+ Units)	74,531,157	14.5%	155	6.9%	68.4	9.7%
Mobile Home Parks	10,696,767	2.1%	7	0.3%	29.1	4.1%
Other	19,678,932	3.8%	184	8.2%	2.6	0.4%
Total Other Residential	205,574,653	40.1%	826	36.8%	187.5	26.7%
<b>Vacant</b>	8,659,639	1.7%	108	4.8%	45.3	6.4%
<b>Other</b>	2,355,989	0.5%	75	3.3%	93.3	13.3%
<b>Total</b>	<b>513,276,359</b>	<b>100.0%</b>	<b>2,247</b>	<b>100.0%</b>	<b>703.6</b>	<b>100.0%</b>

1. Valuation figures are after deduction of homeowner's exemption. Valuations used elsewhere in this Report, as well as those used by the Controller, are shown before deduction of homeowner's exemptions.

2. Acreage data is taken from the assessment roll and does not include streets or public property. Acreage is not reported for condominiums. The Project Area contains a total of 1,037 acres.

Source: County of Santa Barbara; Urban Analytics

### **THE ALLOCATION OF TAX INCREMENT REVENUE TO THE AGENCY**

Under California redevelopment law, the County allocates to the Agency all locally assessed secured and unsecured property tax revenue and state-assessed utility revenue collected within the Project Area above a base year assessed valuation. The base year assessed valuation was established as the assessed valuation in the year the Redevelopment Plan was adopted. Both the incremental assessed valuation and the base year assessed valuation are calculated by the Controller as net of all non-homeowner exemptions; homeowner exemptions are reimbursed by the State and are not included in the tax increment calculations.

This incremental revenue, or tax increment, is subject to certain constraints contained in the Community Redevelopment Law and Redevelopment Plan. Twenty percent of the tax increment received by the Agency is deposited by the Agency in the housing fund. Additionally, the Agency must pass through a portion of tax increment to other taxing entities under a statutory formula contained in the Community Redevelopment Law. Within the Original sub-area, the Agency is obligated to make an additional set of payments to the County and to the Lompoc Unified School District under agreements with those entities negotiated prior to plan adoption.

Secured and unsecured properties are assessed annually for the value of their land, improvements and personal property. Under Proposition 13, the assessed valuation of real property – land and improvements – is subject to an inflationary adjustment of, at most, two percent per year. This inflationary adjustment is calculated on the 1975-76 value of the real property, the value at the time of the property's most recent sale, or the value following new construction on the property. Personal property is not subject to Proposition 13 limits. It is, however, subject to depreciation and is assessed on the basis of its current depreciated value.

The County also apportions to the Agency a share of state-assessed unitary revenue. This property tax revenue, generally from utility companies, is collected on a countywide basis and distributed to redevelopment agencies and taxing entities under an apportionment formula set out in AB454, the 1986 legislation that established the unitary tax mechanism. Unitary tax revenue, being tax increment, is apportioned as well to the housing fund. The Agency receives approximately \$7,500 in unitary revenue annually in the Project Area.

Legislation (AB2670) passed on September 29, 2006 and taking effect with the 2007-08 fiscal year required counties to transfer certain railroad properties into a countywide tax rate area from their existing tax rate area. Taxes on these properties are now distributed in a manner similar to other unitary properties, except that redevelopment agencies do not share in the distribution. This has not affected the Agency, and the base year valuations for the Project Area remain unchanged.

The State Board of Equalization assesses utility properties in the Project Area on a separate roll from locally-assessed secured and unsecured properties. The total valuation of state-assessed utility properties in the Project Area was \$623,127 in 2009-10.

The Agency receives property tax revenue from supplemental assessments on properties in the Project Area. These assessments occur upon a sale of or new construction on a property and represent the difference between the current assessed valuation of the

property on the current annual tax roll and the new value after the sale or new construction. Property taxes from supplemental assessments are generally pledged as security for the Bonds. However, since they are a variable revenue source they are not included in the tax increment revenue calculation for the current year used in this Report. Supplemental revenue received by the Agency has ranged from \$142,002 to \$428,040 over the past four years.

Tax revenue deriving from the base year assessed valuation is distributed to all other taxing jurisdictions within the tax rate areas comprising the Project Area. The distribution of the base year tax revenue is accomplished using the same AB8 apportionment factors used to allocate property tax revenue in non-redevelopment tax rate areas. These apportionment factors, and the taxing entities in the Project Area, are shown in Table 4 below, based on a representative tax rate area. The apportionment factors used to distribute the annual AB1290 passthrough amount to the taxing entities are adjusted to exclude ERAF from the passthrough payments, as that fund is a taxing entity and does not receive passthrough payments.

Table 4  
Taxing Entities and Representative Apportionment Factors  
In the Project Area

Taxing Entity	Apportionment Factor for Base Year Revenue	Apportionment Factor for Passthrough Payments *
County	0.214673	0.254450
City of Lompoc	0.167278	0.198271
County Flood Control	0.002921	0.003462
City Flood Control	0.013043	0.015460
County Water Agency	0.003755	0.004452
Lompoc Cemetery	0.007527	0.008921
Lompoc Hospital District	0.018800	0.022285
Cachuma Resource Cons. District	0.000346	0.000410
Santa Ynez River Water District	0.003098	0.003673
Lompoc Unified School District	0.316031	0.374586
Allan Hancock JCC	0.056866	0.067402
County Schools Administration	0.039340	0.046628
ERAF	0.156320	0.000000
Totals	1.000000	1.000000

\* County reallocates ERAF factor to other taxing entities when apportioning passthrough payments. ERAF is not itself a taxing entity.

Source: County of Santa Barbara

The Lompoc Unified School District receives approximately 32% of tax revenue from the base assessed valuation in the Project Area (exclusive of ERAF funding); the community college district and the office of the county schools administration together receive another 11%. Miscellaneous County-controlled taxing entities receive approximately another 26%.

Tax revenue derived from assessed valuation in the Project Area in excess of the base year assessed valuation is allocated to the Agency based on the amount of indebtedness claimed by the Agency in its annual Statement of Indebtedness to the Santa Barbara County Auditor-Controller. The Agency reports that it has sufficient Project Area indebtedness to fully claim available tax increment.

Tax revenue derived from assessed valuation in the Project Area in excess of the base year assessed valuation is allocated to the Agency under a method of distribution known as the 'Teeter Plan'. The Santa Barbara County Controller determines the amount of valuation in excess of the base year at the beginning of the fiscal year and distributes the resultant revenue in several installments during the year.

The Teeter Plan (Section 4701 et seq. of the California Revenue and Taxation Code) allows the County to distribute secured property tax revenue to all jurisdictions, including the Agency, without regard to delinquencies. This mechanism allows the County to maintain a reserve fund to cover delinquencies and allocate revenue based on the original secured roll, retaining all delinquent tax payments and penalties. Consequently, the Agency is not affected by delinquent tax payments.

Revenue from the secured, utility and unsecured rolls is distributed to the Agency in three payments, with the full amount of unsecured revenue distributed in October, half of the secured and utility revenue distributed in December and the remaining half of the secured and utility revenue in April. The unitary roll revenue is paid in two installments in December and April. Tax revenue from supplemental assessments in the Project Area is separately distributed in monthly payments to the Agency.

The County charges an administration fee to recover property tax administration costs from the Agency and other jurisdictions under the Revenue and Taxation Code, Section 95.3. The fee is based on County costs that vary from year to year so that the amount charged to each jurisdiction annually is variable. The administration fee was \$36,970 in fiscal year 2007-08, or approximately 1.24% of the gross tax increment revenue from the project area. For purposes of this Report, the administrative fee is projected at 1.24% of gross tax increment.

Tax increment calculations made in this Report use revenue from the secured, unsecured and utility rolls along with revenue from unitary assessments. Estimates of future supplemental roll revenues are excluded from the projections. Adjustments to current-year roll revenue resulting from Proposition 8 reassessments are incorporated into the projections, as discussed further below.

The projections used in this report include no assumptions of additional construction in the Project Area. The projections are made using the Proposition 13 inflationary adjustment on real property annually; personal property is assumed to remain constant during the projection period.

### **HOUSING SET-ASIDE FUND**

California redevelopment law requires that agencies maintain a low-moderate income housing fund, depositing into the fund 20% of gross tax increment revenues annually. The Agency maintains such a fund; all projections and calculations used in this report assume that the Agency will continue to deposit the required amounts in the fund.

Redevelopment agencies are monitored by the state Department of Housing and Community Development to ensure that they do not build up unexpended and unencumbered housing funds beyond a certain level. Agencies that exceed this level are found to have an 'excess surplus' of housing funds and must eliminate that condition or face penalties, including the inability to further encumber or spend funds for non-housing activities. The Agency reports that it has an excess surplus of housing funds as of June, 2009. It expects to commit sufficient funds by June 2010 to two housing projects to eliminate the excess surplus condition.

### **REVENUE SHARING WITH TAXING ENTITIES**

Under the Community Redevelopment Law, the Agency is required to make annual payments to taxing entities within the Project Area based on a statutory formula that sets aside a percentage of tax increment revenue for such payments in three tiers. In the first tier of payments, approximately 20% of the tax increment in the Project Area is paid to taxing entities during the initial ten years that the Agency receives tax increment from the Project Area.

In the second tier of payments, an additional base threshold is established in year ten of tax increment receipt and another payment stream is added equal to 16.8% of tax increment over the year-ten threshold. In year thirty of tax increment receipt a third base threshold is established and a third tier of payments equal to 11.2% of revenue over that threshold are added to the payments made to taxing entities. Over the life of the Project Area, the Agency expects to pass approximately 30% of its tax increment through to taxing entities; the City, as the sponsoring taxing entity, can receive passthrough payments only from the first tier of payments. These payments are made by the County, acting as an agent of the redevelopment agency, from tax increment receipts.

The allocation of pass-through payments to each taxing entity is based on an allocation factor that is assigned to each entity in the Project Area by the County Auditor-Controller. Representative factors are shown in Table 4.

In addition to the statutory passthrough payments to all taxing entities in the two amended sub-areas and to other taxing entities in the Original sub-area, the Agency is required to make contractual payments to the County and the Lompoc Unified School District in the Original sub-area. The County payment is calculated from an initial revenue amount that is adjusted annually by the lesser of the actual annual growth in assessed valuation or five percent. In addition the County receives five percent of the annual supplemental and unitary revenue. The Lompoc Unified School District receives one percent of tax increment, supplemental revenue and unitary revenue annually. Together, these contractual payments in the Original sub-area are approximately \$8,000. The County and the school district do not receive statutory passthrough payments in the Original sub-area.

Payments to taxing entities may be subordinated to loans, bonds, or other indebtedness through a procedure specified in Section 33607.5 of the Redevelopment Law. Under this section, a redevelopment agency may notify taxing entities of the agency's intention to issue debt and request the consent of the taxing entities to the subordination of their passthrough payments to payment of principal and interest on the bonds. Any taxing entity not objecting to such a request within forty-five days is deemed to have approved of the subordination.

The Agency does not intend to seek subordination of the statutory passthrough payments.

### **TAX RATES**

The tax rate applicable to redevelopment incremental assessed valuation includes the basic one percent levy. In addition, redevelopment agencies receive tax revenue from debt service override levies except those that were imposed to repay indebtedness approved by voters on or after January 1, 1989. As there are no pre-1989 debt service levies in the Project Area, the Agency receives tax increment on the one percent levy only.

The Agency has no power to levy a property tax itself, has no control over the override levy, and will not receive tax revenue from any future levy for voter-approved indebtedness.

### **PROPOSITION 13 ADJUSTMENT AND 2010-11 ROLL VALUATIONS**

Under Section 51 of the Revenue and Taxation Code the annual increase in assessed valuation for real property is limited to the lesser of two percent or the October-to-October change in the California Consumer Price Index (CCPI) preceding the January 1 lien date. Since 1976-77 the CCPI has been above two percent in all but five years, with the lowest CCPI being one percent in 1983-84.

The State Board of Equalization has notified assessors that the CCPI to be applied to the 2010-11 assessment roll is 0.99763, representing a decrease of 0.237%. Such a reduction would affect all properties that did not have a change in their base year values through sale or new construction during the year, or which were not subject to reductions under Proposition 8. The final roll value for 2010-11 will not be known until the roll is released in July 2010.

### **ASSESSMENT APPEALS**

Appeals of assessments by property owners in the Project Area can result in future reductions in assessed valuations that affect the Agency. Taxes refunded for successful appeals of prior-year assessments may also affect the Agency's revenues.

The most common type of appeal filed is known as a Proposition 8 appeal, in which the property owner seeks a reduction in a particular year's assessment based on the current economic value of the property. The assessor may also adjust valuations based on Proposition 8 criteria, either in response to a taxpayer's informal request for a review of the assessment or through an automated process targeting properties meeting certain criteria. Assessment reductions resulting from Proposition 8 adjustments are temporary in nature, are reviewed annually by the assessor and restored as market conditions improve. As discussed further below, the assessor reduced valuations for a substantial number of Project Area properties under Proposition 8 for 2009-10.

Property owners may also appeal the Proposition 13 base assessment of a property. Although less frequently filed, such appeals, if successful, can permanently reduce the enrolled valuation of a property and consequently affect the Agency's annual revenue. The annual filing period for all appeals extends from July 2 to September 15.

Based on information provided by the County Assessor's office, there have been thirty-one appeals filed in the Project Area over the past six years, as shown in Table 5. Of the

twenty-six resolved appeals, nine resulted in net valuation changes together totaling \$1.9 million; the remaining seventeen appeals were either withdrawn by the applicant, denied a hearing or had their roll valuations upheld by the Assessment Appeals Board.

The nine appeals receiving reductions included a Von's store, with a valuation reduction of \$301,005 on a 2006-07 unsecured assessment; that property is the only property among the ten largest in the Project Area to receive a reduction in assessed valuation.

A court case regarding the proper method of reassessing properties once they received a Proposition 8 reduction was resolved on appeal in favor of the County of Orange. In that case, the assessor was found to have properly returned a property to its statutory base valuation adjusted for inflation once the Proposition 8 adjustment terminated. The assessment practice that was validated by the court is one used in Santa Barbara and most other counties in the state.

Table 5  
Assessment Appeals in the Old Town Lompoc Project Area

Roll Year	Status	Number of Appeals	County Valuation	Applicant Opinion of Value	Valuation After Appeal	Retention Rate *
2009-10	Resolved	-	-	-	-	-
2009-10	Pending	3	1,508,620	870,000	-	-
2008-09	Resolved	7	3,924,216	2,987,029	3,347,568	85.31%
2008-09	Pending	2	1,914,000	1,060,000	-	-
2007-08	Resolved	4	1,716,262	1,214,714	1,259,342	73.38%
2007-08	Pending	-	-	-	-	-
2006-07	Resolved	5	22,715,467	14,061,925	22,204,462	97.75%
2006-07	Pending	-	-	-	-	-
2005-06	Resolved	7	5,003,001	2,968,046	5,003,001	100.00%
2005-06	Pending	-	-	-	-	-
2004-05	Resolved	3	5,084,455	2,795,000	4,744,976	93.32%
2004-05	Pending	-	-	-	-	-
All Years	Resolved	26	38,443,401	24,026,714	36,559,349	95.10%
All Years	Pending	5	3,422,620	1,930,000	-	-

Potential exposure to reductions in valuation from pending appeals \*\*: 167,737

\* Retention Rate is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the 'Valuation After Appeal' into the 'County Valuation'. For withdrawn and denied appeals, the 'Valuation After Appeal' is the original County valuation.

\*\* Estimated by multiplying the county valuation for pending appeals by the inverse of the retention rate.

Data obtained from the Santa Barbara County Assessment Appeals Board as of 4/25/2010

Source: Santa Barbara County Assessment Appeals Board; Urban Analytics

### **REDUCTIONS IN VALUATION UNDER PROPOSITION 8**

Proposition 8 permits assessors to apply temporary reductions in valuation in response to market conditions. These reductions apply to the current-year valuation and do not affect the underlying factored base year valuation of the property (the factored base year valuation is the value of the property determined by the sales price or new construction, inflated annually at the factor set by Proposition 13). Proposition 8 reductions are generally reviewed each year they are in effect and are restored to the full factored base year value once the assessor determines that market conditions warrant it.

The Santa Barbara County assessor's office undertook a countywide review of residential properties sold from 2001 through 2008 to identify those properties whose current market value was substantially below the purchase price. While the assessor has not identified individual properties receiving Proposition 8 reductions in valuation, a comparison of the 2009-10 and 2008-09 roll shows that roughly 300 properties received reductions in valuation totaling approximately \$26 million that did not also show a change in ownership.

While a portion of these properties may be expected to have their full factored base year valuations restored at some future lien date, other properties may be sold at prices less than their factored base year value resulting in the retention of that lower valuation on the rolls. In addition, although the assessor has not indicated that further Proposition 8 reductions will occur, it is possible that weakness in the housing market during 2009 may result in some additional Proposition 8 reductions.

Accordingly, a slight reduction in valuation associated with further decreases in the real estate market during 2009 is incorporated into the projections used in this report. This assumed decrease is in addition to the 0.237% decrease from the Proposition 13 inflation adjustment discussed above, resulting in an overall assumed reduction in assessed valuation of 1.5% for the 2010-11 roll year.

### **RECENT LEGISLATION**

AB1389, effective with the 2008-09 fiscal year, required all agencies to 1) make a payment to the Educational Revenue Augmentation Fund (ERAF) fund for 2008-09 by May 10, 2009; 2) to have obtained the concurrence of the county auditor with the amount of passthrough payments for the 2003-04 through 2007-08 years as set forth in a report of the county auditor submitted on or before February 1, 2009; and 3) annually, by February 1, obtain the concurrence of the county auditor with the amount of current-year passthrough payments beginning with 2008-09.

With respect to the passthrough payment requirements, redevelopment agencies failing to obtain concurrence of their county auditor are subject to significant penalties, including a prohibition on the issuance of new debt. The Agency has obtained the concurrence of the Controller with the amounts of passthrough payments for the 2003-04 through 2007-08 period and is not subject to penalties. The report of passthrough payments for 2008-09 is required to be filed with the Controller by October 1, 2009.

A Superior Court decision (*CRA vs. Genest*) on April 30, 2009 found the 2008-09 payment to the ERAF fund to be unconstitutional and invalidated the Health and Safety code section requiring the payment. The state's Department of Finance did not appeal the decision.

Consequently, the Agency was not required to make a payment to ERAF in the 2008-09 fiscal year.

State budget legislation passed in 2009 (AB26) requires redevelopment agencies to make a contribution to the Supplemental Educational Revenue Augmentation Fund (SERAF) for the 2009-10 and 2010-11 fiscal years. The Agency's SERAF obligation is \$963,079 for 2009-10 and is estimated to be \$198,091 in 2010-11; the actual payment amount for 2010-11 will be calculated by the State's Department of Finance by November 15, 2010. The Agency intends to meet these obligations through funds budgeted for the payments.

Agencies that do not make their SERAF payments in either 2009-10 or 2010-11 are subject to sanctions including prohibitions on incurring additional debt and adding or expanding project areas, limitations on the encumbrance and expenditure of funds, and an increase in the percentage of tax increment required to be paid into the Housing Fund from 20% to 25% for the remaining life of the project areas. Agencies may borrow from their housing fund and apply those funds to the SERAF payment, provided that they repay those funds by June 30, 2015 (June 30, 2016 for the payment due May 10, 2011); agencies that do not repay housing funds by the specified dates are required to increase their contribution to the Housing Fund by 5% for each unmet repayment. As noted above, the Agency intends to fund its SERAF obligations from funds on hand and does not anticipate borrowing from the Housing Fund].

Under ERAF-related legislation (SB1045 and SB1096), redevelopment agencies may deduct from tax increment caps the amounts paid into the ERAF fund during 2002-03, 2003-04, 2004-05 and 2005-06. Agencies may also, by passage of a local ordinance, extend by one year the time limits on the collection of indebtedness for payments made during 2003-04 and, if certain conditions are met, payments made during 2004-05 and 2005-06. As previously described in "The Project Area and Redevelopment Plan" above, the Agency has extended the plan limits by one year under SB1045. The redevelopment plans do not qualify for extensions under SB1096 due to the length of time remaining in the plan.

Other recently enacted redevelopment legislation includes AB637, which makes several changes to the housing requirements of redevelopment law regarding replacement housing and low-moderate income housing production, and SB975, expanding the types of redevelopment agency assistance that trigger prevailing wage requirements.

#### **HISTORIC AND CURRENT ASSESSED VALUATION AND TAX INCREMENT**

Annual roll valuations and tax increment in the Project Area are shown in Table 6. Between 2005-06 and 2009-10, total assessed valuation increased in the Project Area by approximately fifteen percent, growing from \$475 million in 2005-06 to \$545 million in 2009-10.

As discussed previously, the auditor-controller allocates tax increment to redevelopment agencies based on assessed valuations on the roll as of January 1. The assessor's office may make roll corrections during the year that, while not affecting the tax allocation to the Agency in the current year, may affect the assessed valuation in the Project Area in subsequent years. Tax revenue adjustments due to roll corrections may also be charged to the Agency in the year following the roll correction.

During 2009-10 the assessor applied a full exemption to a property owned by College Park Housing Associates, reducing the net valuation of that property to zero from \$7.7 million. As noted previously, nearly three hundred properties received adjustments to their assessed valuations for what is assumed to be Proposition 8-related reasons. These reductions in valuation are incorporated into the secured assessed valuation figure shown in Table 6 for 2009-10.

Gross tax increment is calculated by applying the one percent property tax levy to the incremental assessed valuation in the Project Area. The County's property tax administration fee of approximately 1.24% is deducted from gross tax increment, as are the contractual and statutory passthrough payments and the housing fund set-aside.

Gross tax increment less these deductions results in net tax increment available for debt service. Net tax increment in 2009-10 is \$1,650,728.

In addition to tax revenue from the incremental secured, unsecured and utility roll values the Agency receives revenue from supplemental assessments. Supplemental assessments are assessments of properties for which new construction or sales occurred during a tax year. The assessments are for the pro-rated portion of the remaining tax year and, if the construction or sale occurs after the January 1 lien date, for full value of the property during the subsequent tax year. As noted above, supplemental revenue can include tax refunds associated with the sale of property for less than the assessed amount. Supplemental revenue is a variable revenue source and is not included in the calculation of tax increment available for bonding.

**Table 6**  
**Property Taxable Values and Tax Revenues**  
**Old Town Lompoc Project Area**

	2005-06	2006-07	2007-08	2008-09	2009-10
Secured and Utility AV	446,487,110	492,375,612	527,867,942	538,744,887	517,657,086
Unsecured AV	28,108,946	24,986,304	28,163,634	28,264,426	27,744,794
<b>Total AV</b>	<b>474,596,056</b>	<b>517,361,916</b>	<b>556,031,576</b>	<b>567,009,313</b>	<b>545,401,880</b>
Less: Base Year AV	-272,388,566	-272,388,566	-272,388,566	-272,388,566	-272,388,566
<b>Incremental AV</b>	<b>202,207,490</b>	<b>244,973,350</b>	<b>283,643,010</b>	<b>294,620,747</b>	<b>273,013,314</b>
Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%
<b>Gross Tax Increment</b>	<b>2,022,075</b>	<b>2,449,734</b>	<b>2,836,430</b>	<b>2,946,207</b>	<b>2,730,133</b>
Less: Property Tax Administration Fee	25,074	30,377	35,172	36,533	33,854
Less: Contractual Passthrough Payments	7,471	8,546	8,489	7,944	8,089
Less: Statutory Passthrough Payments	448,038	482,796	545,902	516,943	491,436
Less: Housing Set-Aside	404,415	489,947	567,286	589,241	546,027
<b>Available Tax Increment</b>	<b>1,137,077</b>	<b>1,438,068</b>	<b>1,679,581</b>	<b>1,795,546</b>	<b>1,650,728</b>
<b>Additional Revenue</b>					
Supplemental Revenue:	428,040	198,014	142,002	13,585	NA
Unitary Revenue:	2,316	2,570	2,854	2,753	NA

Source: County of Santa Barbara, City of Lompoc.

**LARGEST ASSESSEES**

The ten largest assessees in the Project Area are shown in Table 7 for 2009-10. These ten owners comprise sixteen percent of the total valuation in the Project Area, with the largest owner accounting for slightly over four percent of Project Area valuation. All properties listed are located in the Amendment Area 1 and appear on the secured roll.

The Lompoc Plaza regional shopping center is in two separate ownerships, with the portion owned by Centro Watt located along the west side of Highway One and the portion owned by Lompoc Plaza Shopping Center located along the east side. A Vons store is located at this site, along with nine other unsecured properties. The second largest owner is an apartment complex along West Chestnut Avenue. The remaining large owners include a Home Depot location owned by Lompoc Ocean Associates LLC; a shopping center along Highway One; the Crown Laurel development that will include single-family residential units and industrial condominiums; and residential properties.

Table 7  
Ten Largest Assessees in the Old Town Lompoc Project Area, 2009-10

Property Owner	Assessed Value	Pct of Total Assessed Value
Centro Watt Property Owner II, LLC (Regional Shopping Center)	22,392,728	4.11%
Shoot The Breeze, LTD (Apartments)	19,644,080	3.60%
Lompoc Plaza Shopping Center	8,391,011	1.54%
Lompoc Ocean Associates, LLC (Commercial)	7,718,128	1.42%
Beach Plaza, LLC (Department Store)	5,948,274	1.09%
Four Aces Mobilehome Estates	4,878,878	0.89%
Biafora Weiner And Ranelletti (Apartments)	4,731,697	0.87%
Crown Laurel, LLC (Vacant Land, Single-Family Residential)	3,830,015	0.70%
Chestnut Village LLC (Apartments)	3,621,817	0.66%
Fox, Henry (Walgreens)	3,541,768	0.65%
Total, Ten Largest:	84,698,396	15.53%
All Other	460,703,484	84.47%
Total for the Area:	545,401,880	100.00%

Source: County of Santa Barbara; Urban Analytics

## **TAX INCREMENT PROJECTION**

Tax increment is projected over the duration of the Project Area, as shown in Table 8. As described further below, the projections incorporate a 1.5% reduction in assessed valuation for 2010-11, a 1% increase in assessed valuation for 2011-12 and project increased valuation growth of two percent from 2012-13 forward. The tables show net tax increment available for debt service after payment of the 20% housing set-aside contribution, contractual and statutory passthrough payments, and the county property tax administration fee.

The assessor's office reduced the valuation of approximately three hundred properties in the Project Area under Proposition 8 for 2009-10 (see "Reductions In Valuation Under Proposition 8" above). As the real estate market continued to weaken in 2009, it is conservatively assumed that there may be some further Proposition 8 reductions for the 2010-11 roll year. In addition, the 2010-11 Proposition 13 annual adjustment factor for all real property (other than property that was reassessed due to sale or new construction) is - 0.237% (see "Proposition 13 Inflation Adjustment", above). This is assumed to return to 2% by 2011-12.

Properties receiving a reduction in valuation under Proposition 8 are subject to increased valuation as market conditions improve. Such increases could bring the properties back to their previous assessment levels, plus the annual Proposition 13 inflationary growth adjustment of up to two percent for each intervening year. However, sales of properties at levels below their assessed valuations would create a lower base valuation and eliminate any potential restoration of valuation from a Proposition 8 reduction. While some future increases in valuation from properties subject to Proposition 8 reductions are possible in the Project Area, the nature and timing of any such valuation restoration is not predictable and is not included in the projections.

Crown Laurel, a 73-unit residential development with a 23,000 square foot industrial condominium building is currently under development in the Project Area. There are several smaller commercial, industrial and residential projects currently under construction or in the approval process in the Project Area. New development is not included in the projections.

Under the growth assumptions described above, tax increment available for debt service is expected to increase from \$1,650,728 in 2009-10 to \$3,159,440 by 2044-45, the last year in which the Agency can collect tax increment in the Amendment Number 1 sub-area. Tax increment from the Original Area sub-area will cease after 2035-36, resulting in a projected decrease in tax increment to \$2,678,359 in the subsequent year. Tax increment from the Amendment Number 2 sub-area will continue through 2048-49.

As noted previously, the Redevelopment Plan imposes a limitation of \$1,000,000 on the annual amount of tax increment that may be received by the Agency from the Original Area. This limit is not expected to be reached with a growth rate of two percent, although it may be reached under higher growth rates.

Table 8  
Tax Increment Projections, Lompoc Old Town Project Area

Fiscal Year	Gross Tax Increment	Housing Set-Aside	County Admin. Fee	Passthrough Payments	Available Tax Increment
2009/10	2,730,133	(546,027)	(33,854)	(499,525)	1,650,728
2010/11	2,652,958	(530,592)	(32,897)	(484,811)	1,604,659
2011/12	2,703,636	(540,727)	(33,525)	(494,473)	1,634,911
2012/13	2,806,006	(561,201)	(34,794)	(513,991)	1,696,019
2013/14	2,910,424	(582,085)	(36,089)	(534,547)	1,757,703
2014/15	3,016,929	(603,386)	(37,410)	(567,773)	1,808,360
2015/16	3,125,565	(625,113)	(38,757)	(601,922)	1,859,773
2016/17	3,236,373	(647,275)	(40,131)	(636,753)	1,912,214
2017/18	3,349,398	(669,880)	(41,533)	(672,281)	1,965,704
2018/19	3,464,683	(692,937)	(42,962)	(708,520)	2,020,264
2019/20	3,582,274	(716,455)	(44,420)	(745,484)	2,075,915
2020/21	3,702,217	(740,443)	(45,907)	(783,186)	2,132,680
2021/22	3,824,558	(764,912)	(47,425)	(821,643)	2,190,579
2022/23	3,949,346	(789,869)	(48,972)	(860,869)	2,249,636
2023/24	4,076,630	(815,326)	(50,550)	(900,879)	2,309,875
2024/25	4,206,460	(841,292)	(52,160)	(941,690)	2,371,318
2025/26	4,338,887	(867,777)	(53,802)	(983,317)	2,433,990
2026/27	4,473,961	(894,792)	(55,477)	(1,025,776)	2,497,916
2027/28	4,611,738	(922,348)	(57,186)	(1,069,085)	2,563,120
2028/29	4,752,270	(950,454)	(58,928)	(1,124,624)	2,618,263
2029/30	4,895,612	(979,122)	(60,706)	(1,181,275)	2,674,509
2030/31	5,041,822	(1,008,364)	(62,519)	(1,239,059)	2,731,880
2031/32	5,190,955	(1,038,191)	(64,368)	(1,297,998)	2,790,398
2032/33	5,343,072	(1,068,614)	(66,254)	(1,358,291)	2,849,913
2033/34	5,498,230	(1,099,646)	(68,178)	(1,419,789)	2,910,617
2034/35	5,656,492	(1,131,298)	(70,140)	(1,482,517)	2,972,536
2035/36	5,817,919	(1,163,584)	(72,142)	(1,546,754)	3,035,438
2036/37	5,382,417	(1,076,483)	(66,742)	(1,560,832)	2,678,359
2037/38	5,535,885	(1,107,177)	(68,645)	(1,625,653)	2,734,410
2038/39	5,692,422	(1,138,484)	(70,586)	(1,691,770)	2,791,581
2039/40	5,852,090	(1,170,418)	(72,566)	(1,759,210)	2,849,896
2040/41	6,014,952	(1,202,990)	(74,585)	(1,827,998)	2,909,378
2041/42	6,181,070	(1,236,214)	(76,645)	(1,898,162)	2,970,049
2042/43	6,350,511	(1,270,102)	(78,746)	(1,969,730)	3,031,933
2043/44	6,523,341	(1,304,668)	(80,889)	(2,042,728)	3,095,055
2044/45	6,699,627	(1,339,925)	(83,075)	(2,117,187)	3,159,440
2045/46	99,032	(19,806)	(1,228)	(21,635)	56,362
2046/47	101,667	(20,333)	(1,261)	(22,367)	57,706
2047/48	104,355	(20,871)	(1,294)	(23,113)	59,077
2048/49	107,097	(21,419)	(1,328)	(23,874)	60,476
2049/50	-	-	-	-	-
2050/51	-	-	-	-	-
<b>Total</b>	<b>163,603,016</b>	<b>(32,720,603)</b>	<b>(2,028,677)</b>	<b>(41,081,092)</b>	<b>87,772,643</b>

Source: Urban Analytics

**LIMITATIONS OF REPORT**

The calculation of assessed valuations and tax increment shown in this Report are based on information believed to be complete, current and reliable at the time of this Report. Projections of tax increment are based on reasonable assumptions and may not reflect actual future revenue received by the Agency. Information regarding the practices and methods used by the County in assessing and allocating property tax revenue has been obtained from County staff and analysis of County records, while information concerning the Project Area, redevelopment plans, amendments and pass-through agreements has been obtained through discussions with Agency staff and through review of the plan documents made available to the Consultant.

While the Consultant has made a reasonable effort to verify the accuracy of the figures and information presented in this Report and presumes that the information relied upon is correct, the Consultant makes no warranty as to its accuracy.

## **APPENDIX C**

### **ADDITIONAL PROPERTY DATA**

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**APPENDIX C-1**  
**Old Town Lompoc Redevelopment Project Area**  
**Parcel and Assessed Value Distribution By Last Record Date**

Last Record Date (2)	Fiscal Yr. (3)	Single Family Residential Parcels (1)				All Parcels (1)			
		No. of Parcels	Pct. Of Parcels (4)	Net AV (5)	Pct. Of SFR AV	No. of Parcels	Pct. Of Parcels	Net AV (5)	Pct. Of AV
2008	2009-10	68	9.0%	11,170,064	11.3%	234	11.5%	47,827,432	9.3%
2007	2008-09	53	7.0%	8,202,259	8.3%	162	7.9%	68,500,466	13.3%
2006	2007-08	72	9.6%	11,555,636	11.7%	194	9.5%	52,234,452	10.2%
2005	2006-07	74	9.8%	11,612,894	11.7%	166	8.1%	39,852,943	7.8%
2004	2005/06	61	8.1%	10,705,980	10.8%	146	7.2%	81,560,310	15.9%
2003	2004/05	46	6.1%	6,663,518	6.7%	111	5.4%	32,259,801	6.3%
2002	2003/04	48	6.4%	6,457,731	6.5%	105	5.1%	20,037,092	3.9%
2001	2002/03	32	4.3%	4,760,521	4.8%	101	5.0%	26,082,739	5.1%
2000	2001/02	31	4.1%	3,380,468	3.4%	62	3.0%	10,272,190	2.0%
1990-99	--	148	19.7%	15,173,133	15.3%	411	20.2%	78,360,245	15.3%
1980-89	--	70	9.3%	7,153,331	7.2%	178	8.7%	40,667,226	7.9%
Prior to 1980	--	49	6.5%	2,210,929	2.2%	78	3.8%	7,134,035	1.4%
N/A (6)	--	-	0.0%	-	0.0%	91	4.5%	8,487,428	1.7%
Totals:		752	100.0%	99,046,464	100.0%	2039	100.0%	513,276,359	100.0%

- (1) Excludes exempt and zero value parcels.
- (2) Calendar year of last recording (ie, transfer) date. May not reflect Prop 13 base years for certain parcels.  
Does not reflect transfers/recordings subsequent to December 31, 2008.
- (3) Fiscal year in which a change in valuation, if any, due to ownership change is fully reflected on the tax roll.
- (4) Represents percentage of single family residential parcels.
- (5) 2009-10 secured assessed valuation, net of homeowner exemption, including inflationary and other adjustments since the Prop 13 base year. Certain property transfers among family members and persons over age 55 may not result in an increase in the adjusted full cash value of the property. See "LIMITATIONS ON TAX REVENUES".
- (6) Not available.

Sources: KNN Public Finance; Urban Analytics LLC from data provided by Santa Barbara County.

**APPENDIX C-2**  
**Old Town Lompoc Redevelopment Project Area**  
**Parcel and Assessed Value Distribution By Assessed Value Range**  
**(Single Family Residential Parcels Only)**

Value Range (1)		No. Of Parcels (2)	Pct. Of SFR Parcels	2009-10 Assessed Value (3)	Pct. Of SFR A.V.	Pct. Of Total Secured A.V.	2009-10 Land/Improvement Assessed Value	
From	To						Total	Avg. (4)
\$250,000	& Greater	20	2.7%	\$5,878,091	5.9%	1.1%	\$5,941,091	\$297,055
200,000	249,999	138	18.4%	30,089,879	30.4%	5.9%	30,432,879	220,528
175,000	199,999	86	11.4%	15,815,192	16.0%	3.1%	16,135,792	187,625
150,000	174,999	87	11.6%	13,833,448	14.0%	2.7%	14,141,448	162,545
125,000	149,999	97	12.9%	12,923,755	13.0%	2.5%	13,252,755	136,626
100,000	124,999	78	10.4%	8,635,025	8.7%	1.7%	8,901,025	114,116
50,000	99,999	113	15.0%	7,326,642	7.4%	1.4%	7,858,070	69,540
25,000	49,999	122	16.2%	4,349,816	4.4%	0.8%	4,916,816	40,302
10,000	24,999	11	1.5%	194,616	0.2%	0.0%	222,616	20,238
Totals:		752	100.0%	\$99,046,464	100.0%	19.3%	\$101,802,492	\$135,376

- (1) Value range is based on land and improvement assessed values only.  
(2) Excludes 8 exempt or zero value parcels. All parcels have improvement value.  
(3) Net assessed valuation figures are after deduction of homeowners exemption.  
(4) 2009-10 average land and improvement assessed valuation for each value range and for all single family parcels.  
By way of comparison, ten single family parcels which sold in the project area during the six month period ending May 5, 2010 had average and median sales prices of approximately \$180,000.

Sources: KNN Public Finance; Urban Analytics LLC from data provided by Santa Barbara County.

## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust (the "Indenture") authorizing the Series 2010 Bonds that are not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the actual Indenture (copies of which may be obtained from the Agency) for the complete terms thereof.

#### 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:

**"Annual Debt Service"** means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds and other Parity Debt, including the 2004 Loan, in such Bond Year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds are redeemed from mandatory sinking account payments as scheduled, (b) the principal amount of the Outstanding Serial Bonds and other Parity Debt, including the 2004 Loan, payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from mandatory sinking account payments in such Bond Year. 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 this 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 (as evidenced in the written records of the County) at least meets the requirements for the issuance of Parity Debt.

**"Bonds"** means the Series 2010 Bonds and any Parity Debt issued as bonds pursuant to a Supplemental Indenture.

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

**"Bond Proceeds Fund"** means the fund by that name established and held by the Trustee pursuant to the Indenture.

**"Bond Year"** means any twelve-month period beginning on September 2 in any year and ending on the next succeeding September 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date with respect to the Series 2010 Bonds and end on September 1, 2010.

**"Business Day"** means a day of the year on which banks in the State of California and any city where the Principal Corporate Trust Office is located are not required or permitted to be closed and on which the New York Stock Exchange is not closed.

"City" means the City of Lompoc, California, a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State.

"Closing Date" means the date on which a series of Bonds are delivered by the Agency to the original purchaser thereof.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Series 2010 Bonds or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the date of issuance of the Series 2010 Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate, with respect to the Series 2010 Bonds, executed by the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

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

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

"County" means the County of Santa Barbara, a county duly organized and existing under the laws of the State.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Defeasance Obligations" means any of the following which, at the time of investment, are in compliance with the City's investment policies then in effect (provided that the Trustee shall be entitled to rely upon any investment direction from the Agency as conclusive certification to the Trustee that investments described therein are in compliance with the City's investment policies then in effect):

- (a) Cash;
- (b) Federal Securities;
- (c) 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;

(d) 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;

(e) 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 Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (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; and

(f) 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 Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System.

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

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, (iv) any commingled investment fund in which the Agency and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment, or (v) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States, as certified in writing by the Agency to the Trustee.

"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 directly or indirectly 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 to the Trustee in writing as its official fiscal year period.

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

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Agency, and who, or each of whom:

- (a) is in fact independent and not under domination of the Agency;
  - (b) does not have any substantial interest, direct or indirect, with the Agency;
- and
- (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Independent 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 domination of the Agency;
  - (c) does not have any substantial interest, direct or indirect, with the Agency;
- 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.

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

"Interest Payment Date" means each March 1 and September 1, commencing March 1, 2011, for so long as any of the Bonds remain Outstanding under the Indenture.

"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.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year, including payments on any Parity Debt, as certified in writing by the Agency to the Trustee. For purposes of such calculation, there shall be excluded the principal of any Bonds and other Parity Debt, together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Bonds and other Parity Debt are deposited in an escrow fund and are held in cash or are invested solely in Permitted Investments and from which amounts 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) at least equal the requirements for issuance of Parity Debt under the Indenture.

"Moody's" means Moody's Investors Service and its successors.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the applicable provisions of the Indenture) all Bonds except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant the Indenture.

"Owner" or "Bondowner" 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 the 2004 Loan and any additional bonds, loans, advances or other indebtedness issued or incurred by the Agency on a parity with the Series 2010 Bonds pursuant to the Indenture.

"Parity Debt Instrument" means any Supplemental Indenture or other instrument providing for the issuance or incurrence of Parity Debt.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"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), but only to the extent that the same are acquired at Fair Market Value and otherwise comply with the City's investment policies at the time such Permitted Investment is acquired::

(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) certificates of beneficial ownership of the Farmers

Home Administration; (ii) Federal Housing Administration debentures; (iii) participation certificates of the General Services Administration; (iv) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) 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) mortgage-backed securities and senior debt obligations of the Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) 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 whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, 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 or which are issued by any bank the obligations of which are rated at least "A" by Moody's and S&P;
- (g) Investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements with financial institutions rated at least "A" by Moody's or S&P, or fully collateralized with Federal Securities;
- (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 an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P;
- (k) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P; and
- (l) The Local Agency Investment Fund (LAIF) which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California; with respect to any investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee, and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of the Indenture.

"Plan Limit" means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, and (c) the period of time for establishing or repaying indebtedness payable from Tax Revenues.

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

"Principal Corporate Trust Office" means the principal corporate trust office of the Trustee located in San Francisco, California, or such other office that the Trustee may designate in writing to the Agency from time to time as the corporate trust office for purposes of the Indenture; *provided, however*, that for purposes of the transfer, registration, exchange, payment and surrender of Bonds, the term "Principal Corporate Trust Office" means care of the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota.

"Project Area" means the territory within the Redevelopment Project, as described in the Redevelopment Plan.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit, insurance policy or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) in the case of a commercial bank, the long-term credit rating of such bank is at least "AA" from S&P or "Aa" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company is "AAA" from S&P or "Aaa" from Moody's or, if rated by A.M. Best & 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 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; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw under the Indenture an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture.

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

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

"Redevelopment Plan" means the Redevelopment Plan for the Redevelopment Project, approved and adopted by Ordinance No. 1213(84) enacted by the City Council of the City and effective on November 20, 1984, together with any amendments thereof at any time duly authorized pursuant to the Redevelopment Law.

"Redevelopment Project" means the Old Town Lompoc Redevelopment Project as described in the Redevelopment Plan.

"Report" means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

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

"Reserve Requirement" means, as of the date of calculation by the Agency, the lesser of (i) the amount of Maximum Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds), and (ii) one hundred and twenty five percent (125%) of average Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds); provided, that in no event shall the Agency, in connection with the issuance of Bonds pursuant to a Supplemental Indenture, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit. The Reserve Requirement may be determined collectively with respect to all Bonds, or separately with respect to one or more series of Bonds.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, and its successors.

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

"Special Fund" means the fund by that name established under the 2004 Loan Agreement and held by the Agency.

"State" means the State of California.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the Agency in accordance with the requirements of the Indenture, which are either: (a) payable

from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is expressly subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds.

"Subordinate Debt Instrument" means any instrument providing for the issuance of Subordinate Debt.

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

"Tax Revenues" means all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding amounts payable by the State to the Agency pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government code of the State of California and excluding amounts payable by the Agency pursuant the Passthrough Agreements and pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds, including any Parity Debt). Tax Revenues shall not include any amounts of such taxes which are required to be deposited into the Low and Moderate Income Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, except to the extent such amounts are permitted to be applied to the payment of principal, interest and premium (if any) with respect to the Bonds or any Parity Debt.

"Term Bonds" means the Series 2010 Bonds maturing on September 1, 2031, and September 1, 2039, and that portion of any other Bonds payable from mandatory sinking account payments.

"2004 Loan" means the loan of \$7,350,000 from the Authority to the Agency made pursuant to the 2004 Loan Agreement.

"2004 Loan Agreement" means the Loan Agreement, dated as of November 1, 2004 between the Authority and the Agency pursuant to which the 2004 Loan was made.

"Written Request of the Agency" or "Written Certificate of the Agency" means a request or certificate, in writing signed by the Treasurer of the Agency or her or his designee, or by any other officer of the Agency or the City duly authorized by the Agency for that purpose.

### **Establishment of Funds and Accounts; Flow of Funds**

Each of the following funds and accounts are established pursuant to the Indenture:

- (a) Costs of Issuance Fund,
- (b) Bond Proceeds Fund
- (c) Redevelopment Fund,
- (d) Special Fund,
- (e) Debt Service Fund,
- (f) Interest Account,

- (g) Principal Account,
- (h) Reserve Account, and
- (i) Redemption Account.

Costs of Issuance Fund. The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance with respect to the Series 2010 Bonds upon submission of a Written Request of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six (6) months following the Closing Date with respect to the Series 2010 Bonds, or upon the earlier Written Request of the Agency, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Agency for deposit in the Redevelopment Fund.

Bond Proceeds Fund; Redevelopment Fund. Amounts on deposit in the Bond Proceeds Fund shall, on the Closing Date, be transferred by the Trustee to the Agency for deposit in the Redevelopment Fund. The moneys in the Redevelopment Fund shall be maintained separate and apart from other moneys of the Agency. The moneys on deposit 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. The Agency covenants that no funds on deposit in the Redevelopment Fund shall be applied for any purpose not authorized by the Law.

Special Fund; Deposit of Tax Revenues. The Agency shall transfer all of the Tax Revenues received in any Bond Year to the Special Fund promptly upon receipt thereof by the Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred for deposit in such Bond Year (i) for deposit under the 2004 Loan Agreement for the payment of the 2004 Loan, (ii) for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year and, if applicable, and (iii) with respect to any Parity Debt other than additional Bonds pursuant to the applicable Parity Debt Instrument. If the amount of Tax Revenues available in such 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 pro rata based on the full amounts required to be so deposited.

All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year pursuant to the preceding paragraph shall be released from the pledge, security interest and lien under the Indenture for the security of the 2004 Loan, the Bonds and any additional Parity Debt and may be applied by the Agency for any lawful purpose of the Agency, including but not limited to the payment of Subordinate Debt, or the payment of any amounts due and owing to the United States of America as rebate under the Indenture. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indenture or Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or Parity Debt Instrument.

Debt Service Fund; Deposit of Amounts by Trustee. There is established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee under the Indenture in trust. Moneys in the Special Fund, as provided in the Indenture, shall be transferred by the

Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are established in the Debt Service Fund, and in the following order of priority:

(a) Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, 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 contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. 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 next succeeding 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 redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the 5th Business Day preceding September 1 in each year beginning September 1, 2011, 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 contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Serial Bonds and Outstanding Term Bonds, including pursuant to mandatory sinking account redemption, on the next September 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next September 1 on all of the Outstanding Serial Bonds and Term 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 Serial Bonds and the Term Bonds, including by mandatory sinking account redemption, as the same shall become due and payable.

(c) Reserve Account. 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 and the Principal 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 the 5th Business Day preceding each March 1 and September 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 all of the deposits required by the Indenture, then, at the Written Request of the Agency, to the Agency for deposit in the Redevelopment Fund.

The Agency shall 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 Series 2010 Bonds or any other Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes 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 deposited in the Redevelopment Fund and used for the purposes thereof. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments under the Indenture in the event and to the extent required to make any payment when and as required under this provision (d). Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) 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. If the Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making interest and principal payments required pursuant to the Indenture. If the Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments of interest and principal required pursuant to the Indenture shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one particular issue of Bonds, a separate subaccount in the Reserve Account may be established for such issue, and the calculation of the Reserve Requirement with respect to all other Bonds shall exclude the debt service on such issue of Bonds. Additionally, the Reserve Account may be maintained in the form of one combined Reserve Account or in the form of one more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of Bonds in conformity with applicable provisions of the Code to the extent directed by the Agency in writing to the Trustee.

(d) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to the Indenture, the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Agency for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Series 2010 Bonds and on other Bonds to be redeemed

on such date pursuant to the Indenture or a similar provision of a Supplemental Indenture. 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 Series 2010 Bonds and on such other Bonds to be redeemed pursuant to the Indenture or a similar provision of a Supplemental Indenture on the date set for such redemption. Interest due on the Series 2010 Bonds or such other Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such Series 2010 Bonds or such other Bonds, the Trustee may, at the direction of the Agency, apply amounts deposited or otherwise to be deposited in the Redemption Account to the purchase of the Series 2010 Bonds or such other Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on such Series 2010 Bonds or such other Bonds, which is payable from the Interest Account) as shall be directed by the Agency.

### **Investment of Funds**

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account, the Redemption Account and the Costs of Issuance Fund shall be invested by the Trustee in Permitted Investments as directed by the Agency in the Written Request of the Agency filed with the Trustee, except that moneys in the Reserve Account shall not be invested in Permitted Investments having a maturity of more than 5 years, unless any such Permitted Investment is described in clause (g) of the definition thereof. In the absence of any such Written Request of the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. The Trustee shall be entitled to rely conclusively upon the written instructions of the Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the above list which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Permitted Investment obtained at the Agency's expense. Moneys in the Special Fund and the Redevelopment Fund may be invested by the Agency in any obligations in which the Agency is legally authorized to invest its funds. 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 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 Reserve Account shall be deposited by the Trustee in the Interest Account only to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Agency or otherwise made in accordance with this provision. For investment purposes only, the Trustee may commingle the funds and accounts established under the Indenture, but shall account for each separately.

### **Issuance of Parity Debt**

In addition to the Series 2010 Bonds, the Agency may, by Supplemental Indenture, issue additional bonds or incur other loans, advances or indebtedness payable from Tax Revenues on a parity with the Series 2010 Bonds to finance redevelopment activities with respect to the

Redevelopment Project in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Debt subject to the following specific conditions all of which are made conditions precedent to the issuance and delivery of such Parity Debt:

(a) No event of default under the Indenture, under any Parity Debt Instrument or under any Subordinate Debt Instrument shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the Indenture;

(b) the Tax Revenues for the then current Fiscal Year, as set forth in a Written Certificate of the Agency, based on assessed valuation of property in the Project Area as evidenced in the written records of the County, shall be at least equal to 140% of Maximum Annual Debt Service until such time as the base year assessed value is less than 50% of the total assessed value, at which time this percentage shall be reduced to 125%; provided that the requirements of this subparagraph (b) will not apply to any issue of Parity Debt all of the available proceeds of which will be applied to refund existing Parity Debt in whole or in part and debt service on such refunding Parity Debt will be less than or equal to the debt service on the existing Parity Debt to be refunded in each year;

(c) In the case of Parity Debt issued as additional Bonds under a Supplemental Indenture, the amount on deposit in the Reserve Account (and any subaccounts therein) shall be increased to the Reserve Requirement taking into account the additional Bonds to be issued;

(d) Principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable and interest on such Parity Debt shall be payable on March 1 and September 1;

(e) The Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in paragraphs (a) and (b) above have been satisfied;

(f) the issuance of such Parity Debt shall not cause the Agency to exceed any applicable Plan Limits; and

(g) for so long as the 2004 Loan remains outstanding, the Agency shall also comply with the requirements of the 2004 Loan Agreement.

#### **Issuance of Subordinate Debt**

The Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. Such Subordinate Debt may be payable from any assets or property of the Agency, including Tax Revenues on a subordinate basis to the payment of debt service on the Bonds, provided that the issuance of such Subordinate Debt shall not cause the Agency to exceed any applicable Plan Limits.

#### **Certain Other Covenants of the Agency**

Limitation on Additional Indebtedness; Against Encumbrances. The Agency covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only the 2004 Loan, the

Series 2010 Bonds, any Parity Debt and any Subordinate Debt. The Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the 2004 Loan and the Bonds superior or equal to the pledge and lien created for the benefit of the 2004 Loan and the Bonds.

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

Payment of Claims. The Agency shall promptly 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 other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing in the Indenture 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 City of San Leandro, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Redevelopment Fund 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, within one hundred and eighty (180) days after the close of each Fiscal Year so long as the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements of Tax Revenues 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 Agency shall promptly furnish a copy of such financial statements to the Trustee at no expense and to any Owner upon reasonable request and at the expense of such Owner. In addition, the Agency shall deliver to the Trustee, annually, a Written Certificate of the Agency and a written certificate or opinion of an Independent Accountant stating that the Agency is in compliance with its obligations under the Indenture.

Payments of Taxes and Other Charges. Except as otherwise provided in the Indenture, 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 Redevelopment Project, or upon the revenues therefrom when the same shall become due. Nothing contained in the Indenture 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. The Agency will not participate in the detachment of land from the Project Area or 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 this Indenture) so that such detachment or disposition shall, when taken together with other such detachments or dispositions, (i) aggregate more than 10% of the assessed value of property in the Project Area or (ii) would cause the amount of Tax Revenues to be received by the Agency in any succeeding Fiscal Year to fall below 140% of Maximum Annual Debt Service (if at the time of the proposed disposition and considering such disposition, the base year assessed value of the Project Area is less than 50% of the total assessed value of the project area, then 140% shall be reduced to 125%).

Maintenance of Tax Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and, in the case of amounts payable by the State, appropriate officials of the State. The Agency shall not undertake proceedings for amendment of the Redevelopment Plan if such amendment shall result in payments to one or 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 debt service on the Bonds. Additionally, the Agency shall not approve any amendment to the Redevelopment Plan which would, in and of itself, cause the amount of Tax Revenues available to the Agency for application under the Indenture in any succeeding Fiscal Year to fall below 125% of Maximum Annual Debt Service.

Compliance With Law; Low and Moderate Income Housing Fund. The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Law, including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or Section 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Redevelopment Project. Without limiting the generality of the foregoing, the Agency covenants that it shall deposit or cause to be deposited in the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Law, all amounts when, as and if required to be deposited therein pursuant to the Law.

Tax Covenants Relating to the Bonds. The Agency will assure that the proceeds of the Series 2010 Bonds are so used as to cause the Series 2010 Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code. The Agency will not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2010 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code. The Agency will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Series 2004 Bond proceeds 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 2010 Bonds, would have caused the Series 2010 Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code. The Agency shall take all actions necessary to assure the exclusion of interest on the Series 2010 Bonds from the gross income of the Owners of the Series 2010 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Series 2010 Bonds.

Continuing Disclosure. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be an Event of Default under the Indenture. However, any Participating Underwriter or any holder or beneficial owner of the Series 2010 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under the Indenture.

Plan Limit. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limits 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 outstanding Bonds and any outstanding Parity Debt when due.

## **The Trustee**

### Duties, Immunities and Liabilities of Trustee.

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

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

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving the Owners notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction at the expense of the Agency for the appointment of a successor Trustee,

and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing, acknowledging and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee; but, nevertheless at the Written Request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this provision, the Agency shall cause either the predecessor Trustee or the successor Trustee to mail a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then has a current rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books.

(e) If an Event of Default occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, then the Trustee shall immediately give written notice thereof, by first-class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Agency to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

(f) The Agency agrees that, so long as any Bonds or any Parity Debt are Outstanding, the Trustee shall be a financial institution having a corporate trust office in the State, having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such financial institution publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this provision the combined capital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this provision (f), the Trustee shall resign immediately in the manner and with the effect specified in this provision.

No Trustee Liability or Duty. The Trustee shall not be deemed to have knowledge of any Event of Default unless and until a responsible officer shall have actual knowledge thereof, or shall have received written notice thereof from the Agency at its Principal Corporate Trust Office. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that no Event of Default has occurred and is continuing under the Indenture. Except as otherwise expressly provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by any other party of any of the terms, conditions, covenants or agreements contained in the Indenture or of any of the documents executed in

connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee may rely conclusively on the Agency's certificates to establish the Agency's compliance with its financial covenants under the Indenture, including, without limitation, its covenants regarding the deposit of Tax Revenues into the Special Fund and the investment and application of moneys on deposit in the Special Fund (other than its covenants to transfer such moneys to the Trustee when due under the Indenture).

The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Agency or with respect to the observance or performance by the Agency of the other conditions, covenants and terms contained in the Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Agency pursuant to the Indenture or otherwise.

No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

The Trustee may execute any of the trusts or powers under the Indenture or perform any duties under the Indenture either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it under the Indenture.

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

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

Compensation and Indemnification. The Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties under the Indenture. The Trustee shall have a first lien on the Tax Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

### **Amendment of Indenture**

The Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding

upon adoption without the consent of any 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 Agency in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers in the Indenture reserved to or conferred upon the Agency; or

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

(c) to provide for the issuance of Parity Debt in accordance with the Indenture; or

(d) to amend any provision of the Indenture relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or

(e) to comply with the requirements of a provider of a Qualified Reserve Account Credit Instrument.

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 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 Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent.

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

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

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

(b) if default shall be made by the Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of 30 days following receipt by the Agency of written

notice from the Trustee or written notice from any Owner (with a copy of said notice delivered to the Trustee) of the occurrence of such default, provided that if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if corrective action is instituted by the Agency within such 30-day period and the Agency thereafter diligently and in good faith cures such failure in a reasonable period of time; or

(c) If the Agency files a petition 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 will approve a petition by the Agency 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 will approve a petition by the Agency, 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 will assume custody or control of the Agency or of the whole or any substantial part of its property.

If an Event of Default has occurred under the Indenture and is continuing, the Trustee, may, and, if requested in writing by the Owners of a majority in aggregate 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) subject to the provisions of the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Immediately upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Agency by telephone promptly 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 (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, 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, with the written consent of a majority in aggregate principal amount of the Owners of the Bonds, 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), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) 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 Trustee shall promptly give written notice of the foregoing to the Owners of all Bonds then

Outstanding, and with the prior written approval of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all 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 described above, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, as applicable, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), 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 principal and interest without preference or priority, ratably to the aggregate of such principal and interest.

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 in 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 in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owner's 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 Agency, and the Trustee, written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture 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 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, 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 in the Indenture 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 in the Indenture provided and for the equal benefit of all Owners of the Outstanding Bonds.

Determination of Percentage of Bond Owners. Whenever in the Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be calculated on the basis of the principal amount of the Outstanding Bonds, determined as of the next succeeding Interest Payment Date.

### **Defeasance of Bonds**

The Agency may pay and discharge the indebtedness on all Bonds or any portion thereof in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, interest and redemption premiums, as applicable, or;

(iii) by irrevocably depositing with the Trustee or an escrow agent, in trust, 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 the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion thereof (including all principal, interest and redemption premiums) at or before maturity;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to the Indenture 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 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 shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Agency under the Indenture with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (c) the obligations of the Agency under the Indenture and (d) the obligation of the Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee, all fees, expenses and costs of the

Trustee. In the event the Agency shall, pursuant to the foregoing provision, 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.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee shall be paid over to the Agency.

## APPENDIX E

### GENERAL INFORMATION ABOUT THE CITY OF LOMPOC AND SANTA BARBARA COUNTY

*The following information concerning the City and the County of Santa Barbara is included only for the purpose of supplying general information regarding the area of the City. 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.*

**The County.** Santa Barbara County was established by an act of the State Legislature on February 18, 1850. It occupies an area of 2,774 square miles, of which one-third is located in the Los Padres National Forest. There are eight incorporated cities located wholly or partially within Santa Barbara County: Santa Barbara, Santa Maria, Goleta, Lompoc, Carpinteria, Guadalupe, Solvang, and Buellton. The City of Lompoc is the third largest city in the County, in terms of population.

**The City.** The City of Lompoc is located on Highway 1 and Highway 246, which connects the City to U.S. Highway 101. The City is approximately 50 miles north of Santa Barbara, 155 miles north of Los Angeles, and 270 miles south of San Francisco. Vandenberg Air Force Base is located 10 miles to the northwest, and the Pacific Ocean lies 9 miles to the west.

#### Population

The City's population at January 1, 2010, the most recent estimate, was 43,079 according to the State Department of Finance. The table below shows population estimates for the City, County of Santa Barbara and the State of California for the last five years.

#### CITY OF LOMPOC, COUNTY OF SANTA BARBARA AND STATE OF CALIFORNIA Population Estimates

Calendar <u>Year</u>	City of <u>Lompoc</u>	County of <u>Santa Barbara</u>	State of <u>California</u>
2006	41,737	420,038	37,114,598
2007	41,930	423,540	37,559,440
2008	42,857	426,915	37,883,992
2009	42,801	430,333	38,255,508
2010	43,079	434,481	38,648,090

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Source: State Department of Finance estimates.

## Employment and Industry

The following table shows civilian labor force and wage and salary employment data for the Santa Barbara Metropolitan Statistical Area, which is coterminous with Santa Barbara County and, therefore, includes the City of Lompoc, for the past five calendar years. These figures are area-wide statistics and may not necessarily accurately reflect employment trends in the City.

### SANTA BARBARA METROPOLITAN STATISTICAL AREA Civilian Labor Force, Employment and Unemployment and Employment by Industry (Annual Averages; not seasonally adjusted)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Civilian Labor Force <sup>(1)</sup>	214,400	213,000	215,700	219,400	221,200
Employment	205,000	204,400	206,300	207,500	202,700
Unemployment	9,400	8,600	9,400	11,900	18,600
Unemployment Rate	4.4%	4.0%	4.4%	5.4%	8.4%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	16,300	15,400	16,100	17,100	18,300
Natural Resources and Mining	900	1,100	1,200	1,100	900
Construction	10,100	10,500	10,500	9,700	7,700
Manufacturing	13,600	13,600	13,300	13,000	11,900
Wholesale Trade	4,700	4,900	4,800	4,600	4,200
Retail Trade	20,300	20,300	20,300	20,000	18,700
Trans., Warehousing and Utilities	3,000	3,100	3,000	3,100	3,100
Information	4,100	4,000	3,900	3,700	3,500
Finance and Insurance	5,500	5,600	5,300	4,900	4,300
Real Estate and Rental and Leasing	3,100	3,100	3,000	2,900	2,600
Professional and Business Services	22,800	22,300	22,200	22,400	21,400
Educational and Health Services	19,400	19,500	20,300	20,600	20,600
Leisure and Hospitality	22,400	22,700	22,900	23,100	22,100
Other Services	5,700	5,800	6,000	6,000	5,500
Federal Government	3,800	3,800	3,700	3,700	3,700
State Government	10,400	10,300	10,600	10,800	10,900
Local Government	22,200	22,000	22,700	22,800	23,000
Total, All Industries	188,200	187,900	189,600	189,400	182,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike. March 1, 2003 benchmark.

(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.*

## Largest Employers; Local Industries

The largest employer in the Lompoc area is Vandenberg Air Force Base ("Vandenberg"), which is located approximately 10 miles northwest of the City. Activities at Vandenberg include the launching of unmanned government and commercial satellites (such as Global Positioning System (GPS) satellites). It is also a site from which intercontinental ballistic missiles are test-fired into the Pacific Ocean. Employment at Vandenberg is comprised of military personnel and civilian employees, as well as employees of tenants and contractors. The total workforce at Vandenberg is estimated to be approximately 7,000. Although the base contains some residential units and shopping facilities, the workforce is also served by the surrounding communities.

Located adjacent to Vandenberg is the Lompoc Federal Correctional Complex, which is comprised of two facilities: the Federal Correctional Institution, Lompoc (a low-security facility for male inmates), and the United States Penitentiary (a medium-security facility for male inmates).

Wine production and wine tourism comprise the much of the agricultural sector of the Lompoc area. Lompoc Valley is the gateway to the Santa Rita Hills AVA wine appellation. Approximately 30 premium boutique wine labels are produced at wineries in the affectionately termed "Wine Ghetto" industrial park and other locations across town. Wine tasting rooms are located in the Wine Ghetto, among other locations in the area. Numerous other wineries are located along Highway 246, linking Lompoc with Buellton on U.S. highway 101 and on Santa Rosa Road. Lompoc hosts the Santa Barbara County Vintners Festival each spring.

The Lompoc area was once known as a prolific flower seed producing region, and is still referred to as the City of Arts and Flowers.

The following table lists the largest employers in and around Lompoc, including an estimate of the number of employees for each, as reported by the Lompoc Valley Chamber of Commerce and Visitors Bureau for 2010. Other large employers in the County include the University of California Santa Barbara.

**MAJOR EMPLOYERS  
Lompoc Area  
As of 2010**

<u>Employer Name</u>	<u>Industry</u>	<u>Est. No. of Employees</u>
Vandenberg AFB	Defense	6,996
Lompoc Unified School District	Education	1,528
Lockheed Martin	Defense	1,091
U.S. Dept. Of Justice (Prison & Institute)	Federal Penitentiary	743
Lompoc Hospital	Healthcare	500
City of Lompoc	Government	443
World Minerals	Mining	417
Wal-Mart	Retail	297
Allan Hancock College	Education	228
Vons	Grocery Store	139
LOVARC	Disability / Rehabilitation	140
Albertsons	Grocery Store	100
CoastHills Federal Credit Union	Banking	99
Home Depot	Retail	91
Fagerdala USA	Manufacturing (Plastics)	85

*Source: Lompoc Valley Chamber of Commerce and Visitors Bureau; City of Lompoc.*

## 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."

The following table summarizes the total effective buying income for the County of Santa Barbara, the State and the United States for 2004 through 2008.

### COUNTY OF SANTA BARBARA Effective Buying Income

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2004	Santa Barbara County	\$ 8,211,533	\$43,752
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	Santa Barbara County	\$ 8,202,243	\$44,316
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	Santa Barbara County	\$ 8,832,530	\$46,310
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	Santa Barbara County	\$ 9,273,645	\$47,316
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	Santa Barbara County	\$ 9,596,125	\$48,700
	California	832,531,445	48,952
	United States	6,443,994,426	42,303

Source: Sales & Marketing Management Survey of Buying Power for 2004;  
Claritas Demographics for 2005 through 2008.

## Commerce

Total taxable transactions reported in the City during the first quarter of calendar year 2009 amounted to \$66,102,000, a 20.53% decrease over the total taxable transactions of \$83,176,000 that were reported during the first quarter of calendar year 2008. A summary of historic taxable sales within the City is shown in the following table. Annual figures for 2009 are not yet available.

### CITY OF LOMPOC Taxable Transactions (Figures in Thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Retail Stores:					
Apparel stores group	\$2,155	\$1,926	\$1,816	\$1,903	\$4,705
General merchandise stores	69,870	69,662	69,394	68,600	64,618
Food stores group	23,026	28,357	32,987	35,122	37,054
Eating and drinking group	35,899	38,284	38,555	39,822	39,761
Household group	5,100	5,697	4,642	3,905	3,862
Building materials group	14,472	37,437	38,564	34,719	29,397
Automotive dealers and supplies group	80,278	78,892	66,442	66,117	48,326
Service stations	30,675	31,005	33,477	37,849	42,000
All other retail stores group	<u>23,733</u>	<u>24,173</u>	<u>24,427</u>	<u>23,624</u>	<u>22,503</u>
Retail Store Totals	285,208	315,433	310,304	311,661	292,227
All Other Outlets	<u>39,708</u>	<u>37,506</u>	<u>40,493</u>	<u>38,641</u>	<u>38,689</u>
<b>TOTAL ALL OUTLETS</b>	<b>\$324,916</b>	<b>\$352,939</b>	<b>\$350,797</b>	<b>\$350,302</b>	<b>\$330,916</b>

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

Total taxable transactions reported in the County during the first quarter of calendar year 2009 amounted to \$1,164,721,000, a 15.33% decrease over the total taxable transactions of \$1,375,548,000 that were reported during the first quarter of calendar year 2008. A summary of historic taxable sales within the County is shown in the following table. Annual figures for 2009 are not yet available.

**COUNTY OF SANTA BARBARA**  
**Taxable Transactions**  
**(figures in thousands)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Retail Stores:					
Apparel stores group	\$170,985	\$187,526	\$202,710	\$220,552	\$234,619
General Merchandise Stores	685,677	685,731	679,751	673,922	613,526
Food stores group	248,649	271,353	281,769	294,936	301,761
Eating and drinking group	585,928	624,365	656,189	676,367	676,706
Household group	190,702	196,337	200,995	189,020	175,046
Building materials group	484,294	514,286	528,294	489,416	385,337
Automotive group	1,055,079	1,087,060	1,106,880	670,504	536,158
Service Stations	(1)	(1)	(1)	485,373	544,761
All other retail stores group	<u>212,775</u>	<u>239,846</u>	<u>239,757</u>	<u>728,823</u>	<u>629,398</u>
Retail Store Totals	4,150,028	4,343,183	4,435,128	4,428,913	4,097,313
Business and Personal Services	243,100	246,049	252,534	267,850	275,728
All Other Outlets	<u>1,148,409</u>	<u>1,217,703</u>	<u>1,445,608</u>	<u>1,370,460</u>	<u>1,510,897</u>
<b>TOTAL ALL OUTLETS</b>	<b><u>\$5,541,537</u></b>	<b><u>\$5,806,935</u></b>	<b><u>\$6,133,270</u></b>	<b><u>\$6,067,223</u></b>	<b><u>\$5,883,938</u></b>

(1) Services Stations are included in "Automotive Group."

Source: State Board of Equalization.

## Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

### CITY OF LOMPOC Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Permit Valuation</u>					
New Single-family	\$5,983.3	\$6,361.2	\$7,352.9	\$17,096.8	\$1,672.1
New Multi-family	241.1	0.0	4,862.5	5,991.8	5,927.3
Res. Alterations/Additions	<u>3,889.3</u>	<u>1,979.6</u>	<u>2,436.4</u>	<u>1,833.1</u>	<u>1,141.0</u>
Total Residential	10,113.7	8,340.8	14,651.8	24,921.7	8,740.4
New Commercial	0.0	1,700.0	1,137.3	3,285.5	0.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	474.0	630.8	2,321.5	1,513.7	3,482.4
Com. Alterations/Additions	<u>3,887.1</u>	<u>3,995.4</u>	<u>3,894.0</u>	<u>3,870.2</u>	<u>4,378.1</u>
Total Nonresidential	4,361.1	6,326.2	7,352.8	8,669.4	7,860.4
<u>New Dwelling Units</u>					
Single Family	30	21	27	64	7
Multiple Family	<u>4</u>	<u>0</u>	<u>39</u>	<u>48</u>	<u>64</u>
TOTAL	34	21	66	112	71

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

### COUNTY OF SANTA BARBARA Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Permit Valuation</u>					
New Single-family	\$222,090.3	\$192,866.8	\$193,121.6	\$159,140.0	\$82,245.3
New Multi-family	53,442.1	47,599.6	45,204.9	38,865.0	39,163.5
Res. Alterations/Additions	<u>87,500.8</u>	<u>99,840.9</u>	<u>82,829.4</u>	<u>75,645.4</u>	<u>76,075.9</u>
Total Residential	363,033.2	340,307.3	321,155.9	273,650.5	197,484.7
New Commercial	33,625.1	56,488.1	29,591.4	59,201.8	52,417.1
New Industrial	8,262.9	10,243.4	14,743.4	10,912.1	10,785.7
New Other	24,774.3	25,365.4	39,375.3	35,844.3	23,099.4
Com. Alterations/Additions	<u>51,987.8</u>	<u>74,005.3</u>	<u>98,268.1</u>	<u>108,301.9</u>	<u>105,903.7</u>
Total Nonresidential	118,650.1	166,102.2	181,978.1	214,260.1	192,205.9
<u>New Dwelling Units</u>					
Single Family	961	688	642	478	189
Multiple Family	<u>556</u>	<u>272</u>	<u>255</u>	<u>245</u>	<u>354</u>
TOTAL	1,517	960	897	723	543

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

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

June 29, 2010

Lompoc Redevelopment Agency  
100 Civic Center Plaza  
Lompoc, CA 93436

**OPINION:**     **\$8,385,000 Lompoc Redevelopment Agency Old Town Lompoc  
Redevelopment Project Tax Allocation Bonds, Series 2010**

Members of the Agency:

We have acted as bond counsel in connection with the issuance by the Lompoc Redevelopment Agency (the "Agency"), of \$8,385,000 Lompoc Redevelopment Agency Old Town Lompoc Redevelopment Project Tax Allocation Bonds, Series 2010 (the "Bonds"), pursuant to the Community Redevelopment Law, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law"), and an Indenture of Trust, dated as of June 1, 2010, by and between the Agency and U.S. Bank National Association, as trustee (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 Agency contained in the Indenture and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is duly created and validly existing as a public body, corporate and politic, with the power to enter into the Indenture, perform the agreements on its part contained therein and issue the Bonds.
2. The Indenture has been duly approved by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency.
3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, on a parity with the 2004 Loan (as defined in the Indenture) and any Parity Debt hereafter issued under, and as such term is defined in, the Indenture.

4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, 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. The opinions set forth in the preceding sentences are subject to the condition that the Agency comply with all requirements of the Code 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 Agency 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. The 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 and the Indenture 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,

A Professional Law Corporation

## APPENDIX G

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

**\$8,385,000**  
**LOMPOC REDEVELOPMENT AGENCY**  
**(Santa Barbara County, California)**  
**Old Town Lompoc Redevelopment Project**  
**Tax Allocation Bonds, Series 2010**

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the LOMPOC REDEVELOPMENT AGENCY (the "Agency") in connection with the execution and delivery of the bonds captioned above (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of June 1, 2010 (the "Indenture"), by and between the Agency and U.S. Bank National Association, as trustee.

The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the 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*" means any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the Agency's fiscal year (currently March 31 based on the Agency's fiscal year end of June 30).

"*Dissemination Agent*" means U.S. Bank National Association, Los Angeles, California, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the Agency in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Stone & Youngberg LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2011, with the report for the 2009-10 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If by 15 Business Days prior to the Annual Report 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 Annual Report Date, if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Agency hereunder.

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

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

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

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

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

(a) The Agency's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Agency for the

preceding fiscal year, substantially similar to that provided in the corresponding information in the Official Statement:

- (i) aggregate assessed values of the Project Area;
- (ii) list of top ten largest local secured property taxpayers within the Project Area;
- (iii) information on any appeals by such top ten taxpayers in the Project Area;

(iv) calculation of the coverage ratio for such fiscal year, calculated in the same manner as provided in the Official Statement under the section entitled "THE AGENCY AND THE PROJECT AREA – Projected Tax Revenues and Debt Service Coverage" and

(v) description of outstanding indebtedness payable during such fiscal year from Tax Revenues.

(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.

(d) 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 are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Agency shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.

- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall, or shall cause the Dissemination Agent (if not the Agency) to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

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

Section 7. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. 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 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 30 days' written notice to the Agency.

Section 9. 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 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. 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 11. Default. If the Agency fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which 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 negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Agency hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Bond 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 Bonds.

(b) The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and

shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: June 29, 2010

LOMPOC REDEVELOPMENT AGENCY

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

AGREED AND ACCEPTED:  
U.S. Bank National Association,  
as Dissemination Agent

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Lompoc Redevelopment Agency

Name of Issue: Lompoc Redevelopment Agency (Santa Barbara County, California) Old Town Lompoc Redevelopment Project Tax Allocation Bonds, Series 2010

Date of Issuance: June 29, 2010

NOTICE IS HEREBY GIVEN that the Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture, dated as of June 1, 2010, by and between the Agency and U.S. Bank National Association, as trustee. The Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

DISSEMINATION AGENT:

U.S. Bank National Association

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

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## APPENDIX H

### BOOK ENTRY ONLY SYSTEM

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

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

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is

the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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# FIVE YEAR IMPLEMENTATION PLAN FY 2009-10 THROUGH FY 2013-14

## REDEVELOPMENT AGENCY OF THE CITY OF LOMPOC



### Urban Futures Incorporated

3111 North Tustin, Suite 230, Orange, CA 92865  
Phone: (714) 283-9334 Fax: (714) 283-5465

San Francisco Office  
505 Montgomery Street, Suite 1100  
San Francisco, CA 94111

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**FIVE YEAR  
IMPLEMENTATION PLAN  
JULY 1, 2009, THROUGH JUNE 30, 2014  
and  
CCRL SECTION 33413(b) (4) HOUSING COMPLIANCE PLAN**

**OLD TOWN LOMPOC REDEVELOPMENT PROJECT**

*Prepared for the*



Lompoc Redevelopment Agency  
100 Civic Center Plaza, Lompoc, CA, 93436  
(805) 875-8203  
(805) 875-8303  
[www.cityoflompop.com](http://www.cityoflompop.com)

*Prepared by:*



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[www.urbanfuturesinc.com](http://www.urbanfuturesinc.com)





# **Five Year Implementation Plan FY 2010 through FY 2014 for the Old Town Redevelopment Project**

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## **CITY COUNCIL/ REDEVELOPMENT AGENCY BOARD MEMBERS**

---

Michael Siminski, Mayor/Chair  
Ann Ruhge, Mayor Pro Tem/Vice Chair  
Tony Durham, Council/Board Member  
Bob Lingl, Council/Board Member  
Cecilia Martner, Council/Board Member

## **CITY/REDEVELOPMENT AGENCY STAFF**

---

Laurel M. Barcelona, City Administrator/Executive Director  
Arleen T. Pelster AICP, Community Development Director/Deputy  
Executive Director  
Linda R. Wertman, Redevelopment Program Coordinator  
Natalie R. Skarda, Housing Programs Technician





# Five Year Implementation Plan FY 2010 through FY 2014 for the Old Town Redevelopment Project

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## **PREFACE**

This Implementation Plan was prepared in compliance with Section 33490 et seq. of California Community Redevelopment Law (the “CCRL”) and applies to the Old Town Lompoc Redevelopment Project: Original Project, Amendment 1, and Amendment 2. Redevelopment programs and project activities to be implemented by the Lompoc Redevelopment Agency (the “Agency”) over the next five years will be identified, including housing activities targeted for individuals and families of very low-, low-, and moderate-income.

The Implementation Plan is presented in five sections, following an Executive Summary:

- 1.0 Introduction:** This section includes definitions of the terms used in the Implementation Plan, an overview of redevelopment law as it applies to the Implementation Plan, the public participation process, and Project Area location.
- 2.0 Review of Agency Activities:** This section presents a historic overview of plan adoptions and chronology, a discussion of recent CCRL legislation and the Agency’s compliance, and a summary of historic goals, objectives, and accomplishments.
- 3.0 Community Development Implementation Program:** This section discusses the Agency’s plan to eliminate blight in the Project Area, presents the goals and objectives nexus to blight elimination, and projects revenues and expenditures for the Agency’s community development program.
- 4.0 Housing Compliance Plan and Implementation Program:** This section demonstrates the Agency’s compliance with inclusionary housing requirements and presents the housing programs and projects that the Agency anticipates implementing over the next five years in correlation to projected revenues and expenditures.
- 5.0 Plan Administration:** This section describes the Implementation Plan process including a general description of financial resources that will be used to fund the housing and non-housing activities over the term of the Implementation Plan.



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## **EXECUTIVE SUMMARY**

This five-year Implementation Plan is the fourth in a series of redevelopment implementation plans mandated since 1994 by the State legislature's adoption of Assembly Bill (AB) 1290. The Agency adopted its first Implementation Plan in 1994 covering January 1, 1994, through December 31, 1998; its second in 1999 for January 1, 1999, through December 31, 2003; and the Preceding Implementation Plan on August 19, 2003, for the period January 1, 2003, through December 31, 2008. For data collection purposes and to correspond with HCD reports, the Implementation Plan review is converting from calendar year to fiscal year. The term of the Preceding Implementation Plan was extended through June 30, 2009, and the current Implementation Plan covers the period July 1, 2009, through June 30, 2014.

The FY 2010 - FY 2014 Implementation Plan, prepared pursuant to CCRL Sections 33490(a)(1) and 33413(b)(4), contains the following:

- Agency accomplishments during the Preceding Implementation Plan term;
- Agency goals, objectives, programs, and projects for the next five years;
- Estimated revenue and expenditures to enable implementation of Agency programs and projects;
- An explanation of how the Agency's goals and objectives, programs, and expenditures will eliminate blight within the Project Area;
- An affordable housing production plan that outlines how the Agency will meet its affordable housing obligations pursuant to CCRL requirements over the next five years; and
- An estimate of the number of units to be provided over the next five and ten years to meet the Agency's inclusionary housing requirements.

### **Agency Accomplishments January 1, 2003, through June 30, 2009**

The Agency has been very successful in implementing its goals and objectives. A detailed accounting of its accomplishments is shown in Section 3 of this report. A few key accomplishments of the Preceding Implementation Plan period include:

- 🏡 Commercial Façade Program.
- 🏡 Adopt-a-Block Program.
- 🏡 Funding for City of Lompoc Magazine and other promotional materials.
- 🏡 Feasibility study for the establishment of a Historic District in Old Town.
- 🏡 Coordinated design, installation, acquisition, or pre-development activities for Negus Downtown Park, Lompoc Aquatic Center, Historic Lompoc Theatre and Commercial Center, Lompoc Museum renovations, and Art Alley Lighting Project in Old Town.



- 🏡 Acquired land for the Fire Department/City storage and future public parking lot, and a vacant lot for the new Lompoc Valley Senior and Community Center to be located at 1110 West Ocean Avenue.
- 🏡 Successfully implemented its affordable housing programs and met its affordable housing obligations.

### **Agency Blight Elimination and Affordable Housing Programs for FY 2010 - FY 2014**

The success of Agency programs and projects during the FY 2010 - FY 2014 Implementation Plan term are largely dependent on the strength of the national, state, and regional economies. Tax increment revenue is estimated for purposes of this report at conservative growth rates. Additionally, the state of California has passed legislation authorizing a taking of redevelopment funds to balance the State budget. The State budget added a Supplemental Educational Revenue Augmentation Fund (SERAF) payment of \$1.7 billion statewide in 2009-2010 and reinstated the \$350 million for payment in FY 2010-2011. The Agency's SERAF take for 2009-10 is \$962,155 and \$198,091 in FY 2010-11. Although the legality of the taking has yet been determined, it is prudent for redevelopment agencies to consider the impact of the payment when developing their FY 2010 - FY 2014 programs.

The Agency's FY 2010 - FY 2014 Blight Elimination programs include:

Seismic Retrofit Program This program offers interest-free loans to owners of unreinforced masonry buildings to defray the cost of engineering, architectural design, City fees, and retrofit work. A maintenance covenant is recorded.

Commercial Façade Improvement Program This program offers loans with a grant component to commercial property owners and long-term tenants to defray the costs of architectural design, City fees, and construction of commercial façade improvements. A maintenance covenant is recorded.

Commercial Rehabilitation Incentive Program This program offers incentives to businesses and developers to rehabilitate deteriorating buildings and properties by contributing to the costs of City fees, architectural design, leasehold improvements, exterior improvements, and non-conforming sign removal and replacement. A maintenance covenant is recorded.

PAL Program The Agency provides funding for the PAL Program Coordinator and staff for after-school programs through the Lompoc Police Activities League (PAL) to deter at-risk youth from joining gangs and engaging in gang activity. The program reduces crime and neighborhood blight by offering youth an alternative activity that prepares them for future educational or employment endeavors.

Adopt a Block Program This program replaces deteriorating signage and banners that promote downtown activities and merchants.

Blight Removal Operations Project This is a joint project to be developed with the Lompoc Police Department to eliminate dangerous, deteriorating, or unsightly conditions in at-risk neighborhoods. It is based on the R.E.S.P.E.C.T. Program previously designed by the Agency for implementation by the Building Division.



Aquatic Center The Agency will issue a bond to finance the purchase and installation of a dehumidifier for the Aquatic Center and to repair condensation damage to the facility.

Community Center The Agency will issue a bond to finance predevelopment costs, internal development costs, parcel acquisition, and rehabilitation of the new Lompoc Valley Senior and Community Center project.

Old Town Projects Old Town projects vary annually, but are intended to promote the viability and vitality of Old Town. Previous projects have included the Old Town Art Alley Project, pre-development activities for the Old Town Theater, Pocket Park, and the purchase of land for Fire Department/City storage and future public parking.

Downtown Historic Restoration & Preservation Program Funds may be used toward historic restoration and preservation of Downtown historic buildings including but not limited to the Lompoc Museum (a Carnegie Library) and the Lompoc Theater. Eligible activities include research, design, and construction.

Charlotte's Web Children's Library The Agency will participate in funding this new construction project in the Project Area on land donated by Charlotte Benton for a children's library.

Economic Development Activities Activities include facilitating the creation of promotional materials to support business growth in the Project Area, and providing funding for the purpose of economic development program planning.

The Agency's FY 2010 - FY 2014 Affordable Housing Program includes:

-  First Time Homebuyer Program
-  Multiple Family Façade Improvement Program
-  Affordable Housing Incentive Program
-  Affordable Housing Acquisition and Rehabilitation Revolving Loan Fund
-  Affordable Housing Reserve Fund

## Recommendations

The Agency has been successful in its efforts to eliminate blight, reverse deteriorating trends, attract new jobs and business, stimulate development of downtown improvement programs, create more affordable housing, reduce crime, and gain active participation and investment by residents. It is recommended that the Agency continue its current approach:

-  The Agency should continue to support economic development programs and/or activities that promote existing City businesses and activities, attract new industries and businesses, and generally improve the quality of life for Lompoc residents, businesses, and visitors.



- 🏠 The Agency should continue to spend its LMI funds over the implementation period to ensure compliance with redevelopment law and reduce any risk of excess surplus fund balances.
- 🏠 The Agency should continue to promote the preservation of historic buildings in Old Town Lompoc.



## 1.0 INTRODUCTION

### 1.1 DEFINITIONS

The following **bold** terms shall have the following meanings unless the context in which they are used clearly requires otherwise:

"**Agency**" means the Lompoc Redevelopment Agency.

"**Agency Board**" means the Board of Directors of the Agency. The members of the Agency Board are also the members of the City Council.

"**Amendment 1**" means the 920 acres of added territory incorporated into the Old Town Lompoc Redevelopment Project by Ordinance 1439(98) on July 14, 1998.

"**Amendment 2**" means the 80 acres of added territory incorporated into the Old Town Lompoc Redevelopment Project by Ordinance 1472(02) on July 16, 2002.

"**CCRL**" means the California Community Redevelopment Law, Section 33000 et seq. of the Health and Safety Code as currently drafted or as it may be amended from time to time.

"**City**" means the City of Lompoc.

"**ERAF**" means the Educational Revenue Augmentation Fund, which is the state property tax allocation system that shifts property taxes from local governments to local education agencies.

"**HCD**" means the Housing and Community Development Department of the State of California. HCD monitors the Agency's Housing Compliance Plan and LMI fund expenditures for compliance with the CCRL.

"**Implementation Plan**" means this document, the FY 2010 - FY 2014 Implementation Plan for the Old Town Lompoc Redevelopment Project covering the time period of July 1, 2009, through June 30, 2014.

"**LMI Housing Fund**" means the Low and Moderate Income Fund of the Agency established pursuant to CCRL Section 33334.3 as it presently exists and as it may be increased or decreased by future Agency actions.

"**Old Town Lompoc Redevelopment Project**" means the Old Town Lompoc Redevelopment Plan adopted by Ordinance 1213(84) on November 20, 1984 and amended by Ordinance 1439(98) on July 14, 1998 and Ordinance 1472(02) on July 16, 2002.

"**Old Town Lompoc Redevelopment Project Area**" means the area included within the boundaries of the Old Town Lompoc Redevelopment Project, as amended.

"**Original Project**" or "**Original Project Area**" means the redevelopment plan establishing the 80 acre Project Area boundaries adopted by Ordinance 1213(84) on November 20, 1984.



**"Preceding Implementation Plan"** means the 2003-2008 Implementation Plan covering the period January 1, 2003 through December 31, 2008.

**"Project Area"** means the Old Town Redevelopment Project Area, as amended by Amendment No. 1 and Amendment No. 2.

**"SERAF"** means the 2009-2010 and 2010-2011 Supplemental Educational Revenue Augmentation Fund, which is the state property tax allocation system that shifts property taxes from local governments to local educational agencies.

**"Tax Increment"** means the funds allocated to the Agency from the Project Area pursuant to CCRL Section 33670.

**"UFI"** means Urban Futures, Inc., redevelopment consultants, retained by the Agency to assist it to complete the adoption of the Implementation Plan.

## **1.2 OVERVIEW OF REDEVELOPMENT LAW AS IT APPLIES TO THE IMPLEMENTATION PLAN**

On November 20, 1984, the City Council of the City adopted Ordinance 1213(84) approving and adopting a redevelopment plan for the Old Town Lompoc Redevelopment Project ("Project or Project Area, as appropriate"). Subsequently, Assembly Bill 1290 (AB 1290), entitled the Community Redevelopment Law Reform Act of 1993, took effect on January 1, 1994 and added CCRL Section 33490 to the Health and Safety Code. Section 33490 mandates that each agency adopt a five-year implementation plan commencing with the initial plan for projects adopted prior to January 1, 1994 to be adopted that calendar year. The Agency adopted its first Implementation Plan in 1994 for January 1, 1994 through December 31, 1998; its second in 1999 for January 1, 1999 through December 31, 2003; and the Preceding Implementation Plan on August 19, 2003 for the period January 1, 2003 through December 31, 2008<sup>1</sup>. For data collection purposes and to correspond with HCD reports, this fourth Implementation Plan converts from a calendar year review to a fiscal year review and covers the period July 1, 2009, through June 30, 2014.

CCRL Section 33490, among other things, requires an implementation plan to contain:

- Specific goals and objectives of the agency for the project area for the next five years;
- Specific programs, including potential projects, and estimated expenditures proposed to be made during the next five years;
- An explanation of how the goals and objectives, programs, and expenditures will eliminate blight within the project area;
- An explanation on how the Agency's goals, objectives and expenditures will implement its affordable housing obligations pursuant to CCRL requirements over the next five years;

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<sup>1</sup> The Agency's implementation plan schedule is being converted from calendar year to fiscal year. Therefore, the achievement data referenced in Section 2 of this report, covers the period January 1, 2003, through June 30, 2009.



- An explanation of how the LMI Housing Fund will be used annually over the term of the implementation plan, along with the amounts now available in the LMI Housing Fund, and projected deposits thereto. Also included shall be estimates of the number of units to be assisted in each of the five years;
- An estimate of the number of units to be provided over the next five and ten years to meet the Agency's 15 percent inclusionary housing requirements, if applicable;
- An estimate of the number of units to be provided at the end of the Plan's effectiveness to meet the Agency's inclusionary housing requirements, if applicable;
- The number of qualifying very low-, low-, and moderate-income units that have been produced in the Project Area or outside the Project Area and the number of additional units that will be required to meet the inclusionary housing requirements;
- The number of units that will be developed by the Agency, if any, including the number of units that will be available for very low-, low-, and moderate-income households; and
- The Project Area affordable housing production plan required by Health & Safety Code Section 33413 (b) (4).

Under current law, agencies that administer redevelopment project areas or portions of project areas established on or after January 1, 1976, have an obligation to ensure that specified percentages of new or substantially rehabilitated housing are available at affordable cost to very-low, low-, and moderate-income households. In addition, under Section 33413 of the CCRL, whenever dwelling units housing persons of very low-, low- or moderate-incomes are destroyed or removed from the affordable housing inventory as part of a redevelopment project, the Agency is required to replace those units with an equal number of units within four years after the units were removed. The replacement dwelling units must have an equal or greater number of bedrooms as those units destroyed or removed and all must be affordable to very low-, low-, or moderate- income households. In the event that suitable land cannot be found within a project area to build the replacement housing, the CCRL permits an Agency to count affordable housing units outside a project area towards the Agency's requirements on a two-for-one basis; that is, two affordable housing units will count the same towards the Agency's inclusionary housing requirements as one unit created inside the project area. Affordable housing developed outside of a project area can be of direct benefit to the redevelopment projects by accomplishing project objectives regarding affordable housing thus redevelopment agencies adopt findings at the time of plan adoption that create this nexus for future implementation.

Implementation Plans also address a number of financial issues as they apply to affordable housing per Section 33334 of the CCRL. Of particular importance in regards to the Implementation Plan are the following:

- Section 33334.2: establishes Agency obligation to use 20 percent of its tax increment revenue to increase, improve and preserve the community's supply of very low-, low-, and moderate-income housing.



- Section 33334.4: specifies that the amount of money that can be spent from the Agency's 20 percent tax increment set-aside for senior housing is limited to the same proportion as the senior citizen population is to the overall population.
- Section 33334.6: sets forth various requirements for management of the LMI Housing Fund.

The financial section of the Plan must address the amount available in the LMI Housing Fund and the estimated amounts which will be deposited into the LMI Housing Fund during each of the next five years as well as estimates of the expenditures of monies from the LMI Housing Fund during each of the five years.

Historic information contained in this Implementation Plan is based on a review of Agency reports and budgets, the Preceding Implementation Plan, and discussions with Agency staff. Information for FY 2009-10 is based on the Agency's budget. Projections for FY 2010-11, FY 2011-12, FY 2012-13 and FY 2013-2014 are based upon discussions with Agency staff and UFI's calculations and projections.

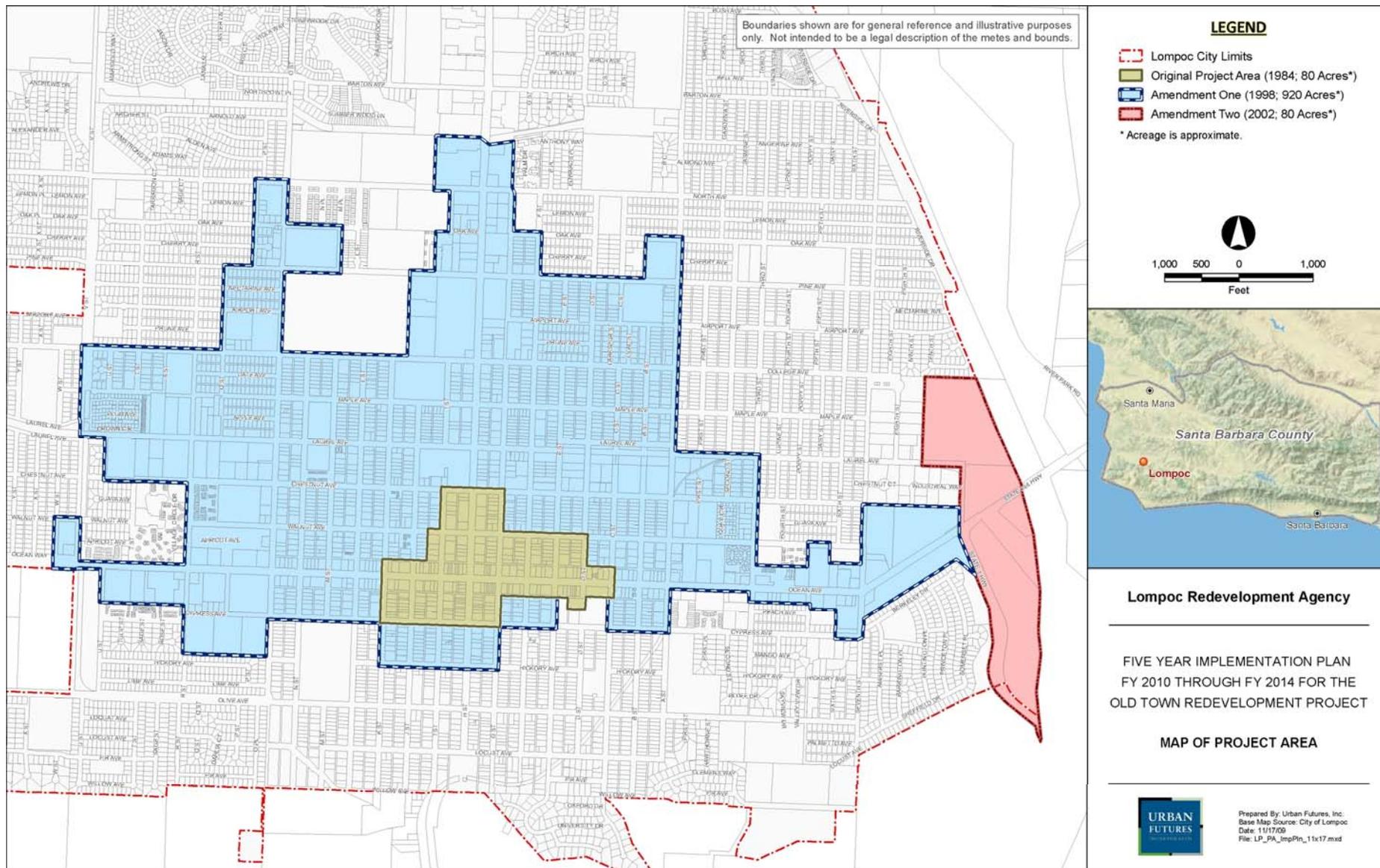
### **1.3 PUBLIC PARTICIPATION IN THE IMPLEMENTATION PLAN PROCESS**

Pursuant to CCRL Section 33490, the adoption of an Implementation Plan must be preceded by a duly noticed public hearing. Notice of the public hearing was published in the local paper with a minimum three week notice and posted in four places in the Project Area completed not less than ten days prior to the public hearing.

In addition, CCRL Section 33490 (c) states that between two and three years after adoption of an implementation plan, an Agency must conduct a public hearing to review the redevelopment plan and implementation plan. The purpose of the mid-term review is to assess the extent to which an Agency's actual activities conform to the activities described in the preceding implementation plan. Therefore, the Agency will need to conduct a mid-term review of this Implementation Plan during 2011 or 2012.

### **1.4 PROJECT AREA LOCATIONS AND BOUNDARIES**

The location and boundaries of the Original Project Area, the added territory by Amendment 1 in 1998, and the added territory by Amendment 2 in 2002 are shown in Figure 1.





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## 2.0 REVIEW OF AGENCY ACTIVITIES

### 2.1 HISTORICAL OVERVIEW

The City established its Redevelopment Agency for the primary purpose of eliminating blight and stimulating the City's economic base. Establishment of a redevelopment plan authorizes the collection of tax increment funds for the purpose of financing programs that eliminate physical blight and to establish a Low- and Moderate-Income Housing Fund that finances affordable housing production. Table 1 shows the history of the Agency, the Plans, and certain time limits associated with the Plans.

Table 1 Old Town Lompoc Redevelopment Plan Chronology			
	Original Area	Amendment 1	Amendment 2
<b>Plan Adoption</b>			
Date of Adoption	November 20, 1984	July 14, 1998	July 16, 2002
Ordinance Number	1213(84)	1439(98)	1472(02)
Project Area Size	80 acres	920 acres	80 acres
<b>Time Limits</b>			
For Commencement of Eminent Domain <sup>1</sup>	August 15, 2014	August 15, 2014	August 15, 2014
For Establishment of Indebtedness <sup>2</sup>	eliminated	July 14, 2018	July 16, 2022
For Effectiveness of Plan <sup>3</sup>	November 20, 2025	July 14, 2029	July 16, 2033
For Repayment of Indebtedness	November 20, 2035	July 14, 2044	July 16, 2048
<sup>1</sup> Per Ordinance 1543(07) adopted on June 19, 2007 in response to SB 53. <sup>2</sup> Per Ordinance 1485 (03) adopted on September 2, 2003 in response to SB 211. <sup>3</sup> Per Ordinance 1535(06) adopted on November 21, 2006 in response to SB 1045.			

### 2.2 STATE LEGISLATION

Subsequent to the preparation of the Preceding Implementation Plan and its mid-term review, several state laws affecting redevelopment plans were approved by the state legislature. These new laws and the manner in which the Agency has chosen to comply are briefly described below.

#### 2.2.1 Mandatory Legislation

##### **SB 53 (Kehoe) effective January 1, 2007**

Senate Bill 53 requires all redevelopment agencies with a redevelopment plan adopted prior to December 31, 2006, to adopt an ordinance setting forth the agency's authority to use eminent domain and its program for eminent domain activities.



**Agency Compliance:** Ordinance 1543(07) adopted on June 19, 2007 affirms the provisions of the Redevelopment Plan that authorize the use of eminent domain with restrictions in the Project Area.

**SB 1809 (Machado) effective January 1, 2007**

Senate Bill 1809 requires that all new and existing redevelopment plans that authorize the agency to acquire property by eminent domain to record a statement with the county recorder that contains the following:

- A prominent heading in boldface type noting that the property that is the subject of the statement is located within a redevelopment project area; and
- A general description of the provisions of the redevelopment plan that authorize the use of eminent domain by the agency; and
- A general description of any limitation on the use of eminent domain contained in the redevelopment plan and the time limit required by CCRL Section 33333.2.

**Agency Compliance:** A revised statement of proceedings authorizing the use of the power of eminent domain by the Agency within the Project Area was filed with the Santa Barbara County Recorder in 2007.

**AB 987 (Jones) filed January 1, 2008**

Assembly Bill 987 requires all redevelopment agencies to create, maintain, and make available to the public on the internet an affordable housing database that describes existing and substantially rehabilitated housing units that were developed or otherwise assisted with Low- and Moderate-Income Housing Funds including inclusionary and replacement housing units. The database must be updated annually and include the following data:

- The address and parcel number of the property
- The number of units with number of bedrooms per unit
- The year of construction completion
- The date the affordability covenant or restriction was recorded
- The document number of the recording
- The expiration date of the covenant or restriction
- The date and document number of any covenants or notices that may be recorded when an ownership unit is sold

**Agency Compliance:** The Agency's affordable housing data base is located on the Agency webpage:

<http://www.cityoflompoc.com/departments/comdev/pdf/2008AffordableHousingCovenants.pdf>.

**AB 1389 (Assembly Budget Committee) effective October 1, 2008**

Assembly Bill 1380 requires all redevelopment agencies to submit to the county auditor on or before October 1, 2008, the statutory pass-through payments made by the agency pursuant to Health and Safety Code sections 33607.5 through



33607.7 between July 1, 2003 and June 30, 2008. If concurrence is not achieved between the agency and the county auditor by February 9, 2009 on the amounts that are owed to local educational agencies, the agency may, after a specified procedure, be subject to severe restrictions on its activities, including a prohibition on encumbering funds, incurring new debt, adding or expanding a project area, or be required to reduce its monthly administrative costs.

**Agency Compliance:** *Concurrence with Santa Barbara County has been achieved.*

## **2.2.2 Discretionary Legislation**

### **SB 211 (Torlakson) effective January 1, 2002**

Among other things, Senate Bill 211 states that redevelopment agencies may repeal the timeline for incurring debt on redevelopment plans adopted prior to January 1, 1994 and may extend the time limits for plan expiration and for receiving tax increment revenues up to ten (10) additional years if specified conditions are met without complying with normal amendment procedures. Agencies that chose to adopt a ordinance authorizing the SB 211 provisions, would also be required to pay statutory pass-through payments to all affected tax entities that currently do not have contractual fiscal agreements.

**Agency Action:** *Ordinance 1485(03) adopted on September 2, 2003 eliminated the debt incurrence deadline for the Original Project Area. Amendments 1 and 2 were established subsequent to January 1, 1994; therefore, are not eligible for SB 211 provisions.*

### **SB 1045 (Committee on Budget and Fiscal Review) effective October 31, 2003**

Senate Bill 1045 authorizes redevelopment agencies that made ERAF payments in fiscal year 2003-2004 to recover the ERAF payments by amending their redevelopment plans by ordinance to extend the time of effectiveness of the plan and the agency's ability to collect tax increment by one (1) year. Modifications to statutory pass-through payments are not triggered by the bill.

**Agency Action:** *Ordinance 1535 (06) adopted on November 21, 2006 amended the plan effectiveness date of the Original Project Area to November 20, 2025, Amendment 1 to July 14, 2029, and Amendment 2 to July 16, 2033.*

### **SB 1096 (Committee on Budget and Fiscal Review) effective August 5, 2004**

Senate Bill 1096 required every redevelopment agency to make an ERAF payment to the county auditor for two (2) consecutive fiscal years, 2004-2005 and 2005-2006. Recognizing that ERAF payments were a financial burden to redevelopment agencies, SB 1096 authorizes agencies to recover the ERAF payments by amending their redevelopment plans by ordinance to extend the time of effectiveness of the plan by one (1) year for each year of the ERAF payments. The extension can be made if the existing time limit has no more than ten (10) years remaining with no other requirements, or if the existing time limit is



between ten (10) years and twenty (20) years provided that the agency can make the following findings:

1. Agency is in compliance with Housing Fund requirements;
2. Agency has an adopted Implementation Plan;
3. Agency is in compliance with applicable replacement housing production requirements;
4. Agency is not subject to sanctions for Housing Fund excess surplus.

**Agency Action:** *The Agency is in the process of amending the plan effectiveness deadline of the Original Project Area. Amendments 1 and 2 are not eligible for SB 1096 provisions because their plan effectiveness deadlines exceed twenty years from the dates that the FY 2005 and 2006 ERAF payments were made.*

## **2.3 SUMMARY OF HISTORIC IMPLEMENTATION PLAN GOALS AND OBJECTIVES**

The Plans are long-term documents and, accordingly, include generalized goals and objectives over the term of their effectiveness. The purpose and objective of the Redevelopment Plan and the Amendments was to eliminate the conditions of blight that exist in the Project Area and to prevent the recurrence of blighting conditions.

As described above, implementation plans span a period of five years; consequently, the goals and objectives set forth in these "short-term" implementation plans are more specific and are intended to be modified over time as they are met and/or events require their modification. The goals contained in the Preceding Implementation Plan are as follows:

### **2.3.1 2003-2008 Implementation Plan Goals**

The goals of the Preceding Implementation Plan were intended to mitigate the effects of inadequate or obsolete design, irregularly shaped and inadequately sized lots, declining property values, and economic maladjustment in the areas:

1. To prevent the acceleration of blight in and about the Project Area.
2. To effectuate the comprehensive planning, redesign, preplanning, reconstruction, and/or rehabilitation of the Project Area.
3. To provide for adequate parcels and required public improvements to encourage new construction by private enterprise.
4. To promote the rehabilitation of deteriorated structures through the provision of grants and loans to eligible property owners. Where deterioration makes rehabilitation infeasible, the Agency may assist property owners in the demolition and replacement of uses.
5. Develop housing programs to meet the needs of residents in the entire City, particularly those with very low, low, and moderate incomes, while maximizing the opportunity for individual choice.



### **2.3.2 2003-2008 Implementation Plan Programs and Activities**

To accomplish the goals of the Preceding Implementation Plan, the Agency instituted the following programs and activities:

1. Encourage development according to the General Plan.
2. Encourage investment in the Project Area by the private sector.
3. Promote the development and expansion of the Project Area's industrial base and local employment opportunities to provide jobs to unemployed and underemployed workers in the area.
4. Consolidate parcels as needed to induce new expanded development in the Project Area in conformance with the General Plan and zoning ordinance.
5. Upgrade the physical appearance of the Project Area.
6. Assist with rehabilitation of structures to eliminate safety deficiencies and to extend the useful lives of these structures by providing grants and low-interest loans to interested property owners.
7. Remove economic impediments to land assembly and in-fill development in areas that are not properly subdivided for development or redevelopment.
8. Buffer nearby residential neighborhoods from the intrusion of incompatible land uses and noise.
9. In situations where temporary or permanent relocation is necessary, provide relocation assistance to displacees as provided in the CCRL.
10. Provide a broad range of public service infrastructure improvements to induce private investment and improve emergency response in the Project Area. Such improvements could include the construction or reconstruction of roads, streets, curbs, gutters, and sidewalks; the upgrading of street-side landscaping; the construction and reconstruction of water storage and distribution facilities; the construction and reconstruction of sewage facilities and the development of drainage and flood control facilities.
11. Encourage the cooperation and participation of the Project Area property owners, business owners, public agencies and community organizations in the elimination of blighting conditions and the promotion of new or improved development.
12. Provide a procedural and financial mechanism by which the Agency can assist, complement and coordinate public and private development, redevelopment, revitalization, and enhancement of the community.



## 2.4 DESCRIPTION OF HOW THE AGENCY HAS IMPLEMENTED THE GOALS OF THE PRECEDING IMPLEMENTATION PLAN

To accomplish its goals, the Agency has worked diligently with community leaders, private sector businesses, and other governmental agencies. The economic downturn that began in late 2006 negatively impacted the Agency's ability to execute its economic development program. Nonetheless, the Agency continued to actively promote its economic development programs. Key achievements of the Preceding Implementation Plan time period (January 1, 2003 – June 30, 2009) are highlighted in Table 2 along with which goals and blight conditions were addressed by the Agency's programs and projects.

Table 2 Community and Economic Development Key Goals Achievement		
AGENCY PARTICIPATION KEY a – funding b – planning or professional assistance c – business retention or business attraction services	GOAL KEY A – Prevent Blight Acceleration B – Economic Development / Revitalization C – Capital Improvements	
Programs/Projects	Agency Participation	Goal Satisfaction
Commercial Façade Program. Established a combined loan and grant program with detailed guidelines on January 20, 2004. Loans were finalized with the following businesses: <ul style="list-style-type: none"> <li>Saletti's Restaurant</li> <li>La Chiquita Shopping Plaza</li> <li>Beach Plaza (former K-Mart Building)</li> <li>Alfie's Fish and Chips Restaurant</li> <li>Carnahan Therapy</li> </ul>	a, b, c	A, B
Commercial Rehabilitation Program. The program provides funding to assist in façade improvements for existing businesses, such as replacement of legal non-conforming signage with new signs that conform to the City's sign ordinance. The program also provides incentives for new businesses to relocate to Lompoc. Funding was finalized with the following businesses: <ul style="list-style-type: none"> <li>Alfie's Fish and Chips Restaurants</li> <li>Carnahan Therapy</li> <li>La Chiquita Shopping Plaza</li> </ul>	a, c	A, B
Adopt-a-Block Program. Business and community revitalization program that purchases and rotates banners in the downtown. Banners include city identification and welcome, patriotic, holiday, seasonal, and Old Town Market.	a	B
Facilitated design and consultation services for the Negus Downtown Park, an in-fill pocket park in Old Town.	a, b	A, B, C
Promoted business recruitment and new development activity in the Project Area. Activities included funding a marketing program that promotes the Lompoc community and its businesses, as well as contributing to the salary of an economic development coordinator to recruit new businesses to Lompoc.	a	B
Facilitated a feasibility study for the establishment of a Historic District in Old Town.	a	B



Table 2 Community and Economic Development Key Goals Achievement		
AGENCY PARTICIPATION KEY a – funding b – planning or professional assistance c – business retention or business attraction services	GOAL KEY A – Prevent Blight Acceleration B – Economic Development / Revitalization C – Capital Improvements	
Programs/Projects	Agency Participation	Goal Satisfaction
Participated in the development of the Lompoc Aquatic Center.	a	C
Participated in the acquisition and pre-development costs of the Historic Lompoc Theater and Commercial Center.	a	A, B
Coordinated design and installation of the Art Alley Lighting Project in Old Town.	a, b, c	A, B
Assisted with the resurfacing and restriping of three downtown parking lots, and funding the Seismic Retrofit Loan Fund.	a, b	A, B, C
Acquisition of land for the Fire Department/City storage, and future public parking.	a	A, C
Contributed to Phase 1 of the museum renovations: new roof and site drainage.	a	A, C
Purchased a vacant lot to be developed as part of the new Lompoc Valley Senior and Community Center located at 1110 West Ocean Avenue.	a	A, C
Provided funding for promotional materials including City of Lompoc Magazine.	a	B
*See Section 3.1 above – Combined List of Goals and Objectives Source: Memorandum, Planning Division Project Status Report, April 2, 2003: GRC Redevelopment Consultants, Inc., May 2003.		

As shown above, the Agency has focused on goals and objectives as set forth in the 2003-2008 Implementation Plan, which relate directly to the provision, improvement, and rehabilitation of public infrastructure to lessen conditions of blight, and to the improvement the overall economic and physical condition of the Project Area. However, while the Agency has spent substantial amounts on blight remediation, the projects identified above have not been able to fully ameliorate the conditions of blight described in CCRL Sections 33031(a), 33031(b), and 33030(c) and conditions of blight continue to detract from more positive aspects of the Project Area. Available Agency resources will continue to play an integral role in the City's ability to remedy negative physical and economic conditions still affecting the Project Area.



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### **3.0 COMMUNITY DEVELOPMENT IMPLEMENTATION PLAN**

#### **3.1 GOALS AND OBJECTIVES: FISCAL YEARS 2010 - 2014**

CCRL Section 33490(a)(1)(A) states that an implementation plan shall contain the Agency's specific goals and objectives for the Project Area. These goals and objectives are divided into two distinct categories: programs related to the provision or replacement of affordable housing, and all other non-housing programs that the Agency may pursue under the adopted redevelopment plan. This chapter focuses specifically on the Agency's potential non-housing activities during the ensuing five-year period. The chapter will describe specific projects and expenditures and explain how said projects and expenditures will address conditions of blight in the Project Area. Potential housing activities are discussed in Chapter 4.

The specific five-year goals and objectives of the Implementation Plan for Project Area are as follows:

**GOAL:** DEVELOP AND IMPLEMENT PROGRAMS AND PROJECTS THAT REMOVE BLIGHT, HIGHLY LEVERAGE THE USE OF AGENCY FUNDS, AND IMPROVE THE VISUAL ATTRACTIVENESS OF THE PROJECT AREA

#### **OBJECTIVES**

- 1.1 Invest in projects and programs that remove barriers to investment in the Project Area.
- 1.2 Invest in projects and programs that promote visual attractiveness in the Project Area.
- 1.3 Invest in promoting Lompoc.
- 1.4 Invest in the creation of new jobs.
- 1.5 Preserve historical Downtown buildings.

#### **3.2 ECONOMIC AND COMMUNITY DEVELOPMENT PROJECTS AND PROGRAMS**

The Agency's non-housing projects and programs are designed to meet its goal of removing blight, highly leveraging the use of Agency funds, and improving the visual attractiveness of the Project Area. However, expectations for the successful completion of economic development projects and programs are conservative due to the current recessionary economic climate and financial crisis that the nation is experiencing. Tax increment is dependent upon the taxable value of land or improvements in the Project Area. It is anticipated that revenue flows may diminish or not increase at the previous rate due to events not controlled by the Agency. Nonetheless, the Agency will continue to follow its goals and objectives as funding permits. These programs and projects include:



Seismic Retrofit Program This program offers interest-free loans to owners of unreinforced masonry buildings to defray the cost of engineering, architectural design, City fees, and retrofit work. A maintenance covenant is recorded.

Commercial Façade Improvement Program This program offers loans with a grant component to commercial property owners and long-term tenants to defray the costs of architectural design, City fees, and construction of commercial façade improvements. A maintenance covenant is recorded.

Commercial Rehabilitation Incentive Program This program offers incentives to businesses and developers to rehabilitate deteriorating buildings and properties by contributing to the costs of City fees, architectural design, leasehold improvements, exterior improvements, and non-conforming sign removal and replacement.

PAL Program The Agency provides funding for the PAL Program Coordinator and staff for after-school programs through the Lompoc Police Activities League (PAL) to deter at-risk youth from joining gangs and engaging in gang activity. The program reduces crime and neighborhood blight by offering youth an alternative activity that prepares them for future educational or employment endeavors.

Adopt a Block Program This program replaces deteriorating signage and banners that promote downtown activities and merchants.

Blight Removal Operations Project This is a joint project to be developed with the Lompoc Police Department to eliminate dangerous, deteriorating or unsightly conditions in at-risk neighborhoods. It is based on the R.E.S.P.E.C.T. Program previously designed by the Agency for implementation by the Building Division.

Aquatic Center The Agency is proposing to issue a bond to finance the purchase and installation of a dehumidifier for the Aquatic Center, and to repair condensation damage to the facility.

Community Center The Agency is proposing to issue a bond to finance predevelopment costs, internal development costs, parcel acquisition, and rehabilitation of the new Lompoc Valley Senior and Community Center project.

Old Town Projects Old Town projects vary annually, but are intended to promote the viability and vitality of Old Town. Previous projects have included the Old Town Art Alley Project, pre-development activities for the Old Town Theater, Pocket Park, and the purchase of land for Fire Department/City storage and future public parking.

Downtown Historic Restoration & Preservation Program Funds may be used toward historic restoration and preservation of Downtown historic buildings including but not limited to the Lompoc Museum (a Carnegie Library) and the Lompoc Theater. Eligible activities include research, design, and construction.

Charlotte's Web Children's Library This a new construction project in the Project Area on land donated by Charlotte Benton for a children's library.



Economic Development Activities Activities include facilitating the creation of promotional materials to support business growth in the Project Area, and providing funding for the purpose of economic development program planning.

### **3.3 GOALS AND OBJECTIVES NEXUS TO BLIGHT ELIMINATION**

CCRL Section 33490(a)(1)(A) requires that each implementation plan contain an "...explanation of how the goals and objectives...will eliminate blight within the project area...". Table 3 shows the relationship of the Agency's specific five-year objectives to the eradication of remaining blight in the Project Area, as defined in CCRL Sections 33030 and 33031. Although the current definition of blight has changed since the preparation of the Preceding Implementation Plan, the physical and economic conditions addressed by the previous plan remain accurate.

Blight Conditions:

Physical: CCRL Section 33031(a)

1. Unsafe buildings
2. Substandard, defective or obsolete design or construction
3. Incompatible land uses
4. Irregular and inadequate lots under multiple ownership

Economic: CCRL Section 33031(b)

5. Depreciated or stagnant property values
6. Abnormally high business vacancies, low lease rates, or high number of abandoned buildings
7. Serious lack of commercial facilities
8. Serious residential overcrowding
9. High crime rate

Public Infrastructure: CCRL 33030(c)

10. Inadequate public improvements
11. Inadequate water or sewer facilities

Table 3 shows the relationship of the Agency's specific five-year work program to its objectives and to the eradication of remaining blight, as defined in CCRL Sections 33030 and 33031 for the Project Area.



Program/Project	Satisfies Objective Number <sup>1</sup>	Addresses Blight Condition Number <sup>2</sup>
Seismic Retrofit Program	1.1, 1.2, 1.5	1, 2
Commercial Façade Improvement Program	1.2, 1.3, 1.5	2, 5, 6
Commercial Rehabilitation Incentive Program	1.1, 1.2, 1.4	1, 2, 5, 6
PAL Program	1.1, 1.4	5, 9
Adopt a Block Program	1.2, 1.3	5, 6
Blight Removal Operations Project	1.1, 1.2, 1.5	1, 5, 6, 9
Aquatic Center Improvements	1.2, 1.3	2
Community Center project	1.1, 1.2	2
Old Town Projects	1.1, 1.2	2, 5
Downtown Historic Restoration and Preservation Program	1.1, 1.2, 1.4, 1.5	1, 2, 5, 6
Charlotte's Web Children's Library	1.2, 1.3, 1.4	3, 7
Economic Development Activities	1.1, 1.3, 1.4	5, 6

<sup>1</sup> Refer to Section 3.1  
<sup>2</sup> Refer to Section 3.3

### 3.4 PROGRAM AMENDMENTS

The Agency has identified the projects and programs shown herein as the most probable implementation activities for the term of this Implementation Plan. Since other public and private projects, not foreseen today, may be deemed feasible and preferential in eliminating blight, it may be necessary from time to time for the Agency to make changes to programs and activities.

Whether or not listed herein, specific projects and programs may be constructed or funded by the Agency during the period covered by this Implementation Plan, if the Agency finds that:

1. The goals and objectives of the Redevelopment Plan are furthered;
2. Specific conditions of physical or economic blight within the Project Area will be mitigated in whole or in part through implementation of the project; and
3. Specific conditions relative to a development project, including the financial feasibility thereof, require that the public improvement project be constructed at the time in question.



### **3.5 PROJECTED AGENCY GENERAL REDEVELOPMENT FUND INCOME AND EXPENDITURES**

Although the Agency is continuing to implement its community development and economic development goals, the success of its programs and projects is largely dependent on the strength of the national, state, and regional economies. Assessed property values in the City have dropped and are expected to recover slowly. For purposes of this report, tax increment revenue is projected with no growth in 2009-2010, one percent growth in 2010-2011 and two percent growth thereafter. Additionally, the State's proposed take of over \$1 million in redevelopment funds would significantly limit the Agency's ability to implement its planned projects and programs.

#### **3.5.1 State of California Proposed SERAF Take**

In 2008, the state attempted to force local redevelopment agencies to make a unilateral Educational Revenue Augmentation Fund (ERAF) payment to the state of California for fiscal year 2008-2009 in the amount of \$350 million statewide. The California Redevelopment Association (CRA) filed a lawsuit to stop the ERAF payments. On April 30, 2009, the courts ruled in CRA's favor, and found unconstitutional a provision in the current State budget that would have required redevelopment agencies statewide to transfer monies to fund State obligations.

In July 2009, the State legislature voted to balance the State budget with the taking of redevelopment funds. The State budget added a Supplemental Educational Revenue Augmentation Fund (SERAF) payment of \$1.7 billion statewide in 2009-2010 and re-instated the \$350 million for payment in 2010-2011. At the time this Implementation Plan was prepared, the final determination of the legality of the SERAF takings had not yet been finalized. Nonetheless, to enable the Agency to reassess its projects and programs in the event the State prevails, a brief analysis is included in Table 4 showing the impact of the SERAF takings on the Agency's budget.

#### **3.5.2 Funding Sources**

The Agency has identified several major sources of funds for the programs and activities planned over the next five years. The two main sources are:

Tax Increment Revenue Tax increment revenues accrue throughout the fiscal year, but are distributed to the City by the County of Santa Barbara in December and April. Assessed property values in the City have dropped and are expected to recover slowly. For purposes of this report, tax increment revenue is projected with no growth in 2009-2010, one percent growth in 2010-2011 and two percent growth thereafter.

Bond Proceeds Bond proceeds in the estimated amount of \$7,101,900 are anticipated in Fiscal Year 2009-10. The funds are to be allocated to establish a new senior and community center, and to make repairs and improvements to the Aquatic Center.



### **3.5.3 Summary of Projected Income and Expenditures**

Table 4 summarizes the anticipated revenues and expenditures for the 2010 – 2014 General Redevelopment Fund. Tax increment is the primary source of revenue and is expected to increase slowly from approximately \$2.9 million annually to \$3.3 million by 2014. Interest income on the fund's cash balance is an ancillary source of revenue.

There are two types of expenditures shown in Table 4: fixed and discretionary. Fixed expenditures include the twenty percent set-aside to the LMI Housing Fund, debt service payments, and pass-through payments. Discretionary expenditures fund the Agency's commercial activities, economic development programs, infrastructure projects, administrative expenses, and community facility projects. The Agency's discretionary funds are limited because fixed expenditures consume approximately fifty-five percent of the Agency's total budget, not including bond proceed allocations for specified capital improvements. Modifications to the Agency's budget to fund the SERAF take or other expenses would focus on the discretionary expenditures.

These numbers are not to be used for bonding purposes; they are solely intended to reflect general trends and assumptions. The findings indicate that the Agency has sufficient resources to continue its community and economic development program; although revisions to the budget may be necessary if the state prevails with the SERAF take.



**TABLE 4**  
**PROJECTED GENERAL REDEVELOPMENT FUND PROGRAM RECEIPTS AND EXPENDITURES**  
**FISCAL YEAR 2009-10 THROUGH FISCAL YEAR 2013-14**

Program Category	Fiscal Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
<b>CASH BALANCE FORWARD (1)</b>	<b>\$ 4,067,000</b>	<b>\$ 1,346,000</b>	<b>\$ 1,360,000</b>	<b>\$ 1,433,000</b>	<b>\$ 1,566,000</b>
<b>Receipts</b>					
A. Tax Increment (2)	2,946,000	3,003,000	3,117,000	3,234,000	3,353,000
B. Interest Income (3)	41,000	13,000	14,000	14,000	16,000
C. Use of Property (4)	90,000	90,000	90,000	90,000	90,000
D. Bond Proceeds	7,101,900	-	-	-	-
E. Transfers In	-	-	-	-	-
F. Other	-	-	-	-	-
<b>Annual Receipts</b>	<b>10,179,000</b>	<b>3,106,000</b>	<b>3,221,000</b>	<b>3,338,000</b>	<b>3,459,000</b>
<b>TOTAL AVAILABLE</b>	<b>\$ 14,246,000</b>	<b>\$ 4,452,000</b>	<b>\$ 4,581,000</b>	<b>\$ 4,771,000</b>	<b>\$ 5,025,000</b>
<b>Expenditures/Uses</b>					
<b>Fixed Expenditures</b>					
A. Deposits to the Housing Fund (5)	589,000	601,000	623,000	647,000	671,000
B. Debt Service	871,685	1,094,184	1,094,854	1,094,023	1,207,261
C. Pass Throughs	465,000	482,000	515,000	549,000	583,000
<b>Discretionary Expenditures</b>					
A. Capital Expenditures	10,624,000	565,000	565,000	565,000	565,000
B. Community Development (6)	350,000	350,000	350,000	350,000	350,000
C. Transfers Out	-	-	-	-	-
D. Other	-	-	-	-	-
<b>Annual Expenditures (7)</b>	<b>12,900,000</b>	<b>3,092,000</b>	<b>3,148,000</b>	<b>3,205,000</b>	<b>3,376,000</b>
<b>YEARLY ENDING BALANCE</b>	<b>\$ 1,346,000</b>	<b>\$ 1,360,000</b>	<b>\$ 1,433,000</b>	<b>\$ 1,566,000</b>	<b>\$ 1,649,000</b>
<b>WITH SERAF PAYMENTS</b>					
<b>TOTAL AVAILABLE (ERAF) (8)</b>		<b>\$ 3,489,845</b>	<b>\$ 3,420,754</b>	<b>\$ 3,610,754</b>	<b>\$ 3,864,754</b>
<b>Annual Expenditures (9)</b>		<b>3,092,000</b>	<b>3,148,000</b>	<b>3,205,000</b>	<b>3,376,000</b>
<b>Total Estimated ERAF Take (10)</b>	<b>962,155</b>	<b>198,091</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Estimated Ending Balance (ERAF)</b>	<b>\$ 383,845</b>	<b>\$ 199,754</b>	<b>\$ 272,754</b>	<b>\$ 405,754</b>	<b>\$ 488,754</b>

Notes:

- (1) Represents the Fiscal Year Beginning Balance of current cash and investments, adjusted for prior year earnings deposited into the Fund.
- (2) Represent Gross Tax Increment Collections in the Merged Redevelopment Project Area. Numbers are based on actual 2008-09 Assessed Valuations, with no growth projected in 2009-10, 1% growth projected in 2010-11, and 2% growth projected thereafter.
- (3) Interest Income is earned on the Agency's cash and investments during each Fiscal Year, and is estimated using the current yield
- (4) Consitutes income earned from property owned by the Agency. Estimated from the difference between total earnings from money and property and interest income.
- (5) 20% of Gross Tax Increment Revenues are deposited into the Housing Fund to be used for low income housing programs.
- (6) Includes administrative and other general operational expenditures of the Agency.
- (7) Expenditures are projected based on actual Agency Expenditures during the 2008 Fiscal Year.
- (8) Cash Balance Forward plus Annual Receipts, less ERAF
- (9) Same as above
- (10) Assumes SERAF payments are required in FYE 2010 pursuant to AB x4 26.



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## **4.0 HOUSING COMPLIANCE PLAN**

CCRL Section 33413(b)(4) requires each redevelopment agency to adopt a compliance plan as part of the implementation plan required by CCRL Section 33490 indicating how the agency will comply with the requirements set forth in CCRL Section 33413(b). This section of the Implementation Plan complies with this requirement and is the Agency's Housing Compliance Plan. It describes how the Agency intends to expend monies in the LMI Housing Fund consistent with the provisions of CCRL Section 33334.4 as amended by Assembly Bill 637 and made effective on January 1, 2002 and Senate Bill 701 (Torlakson) effective January 1, 2003. These bills clarified and added housing compliance plan requirements.

This Compliance Plan update takes into account all residential construction and Agency-assisted substantial rehabilitation that has occurred within the Project Area since adoption of the Compliance Plan, in order to determine whether the Agency is still meeting its affordable housing production needs. New construction and substantial rehabilitation statistics were obtained via a review of the City's building permits, previously prepared documents, and discussions with City and Agency staff.

The CCRL defines and limits assisted income categories as follows (the CCRL does not separate the extremely low- and very low-income categories; the federal housing programs do make a distinction):

**Very Low-Income** – generally, persons or households whose gross income does not exceed 50% of the area's median income or as determined by HCD and amended from time to time;

**Low-Income** – generally, persons or households whose gross income is greater than 50%, but does not exceed 80% of the area's income or as determined by HCD and amended from time to time; and

**Moderate-Income** – generally, persons or households whose gross income is greater than 80%, but does not exceed 120% of the area's median income or as determined by HCD and amended from time to time.

*Affordable housing cost is defined as:*

**Very Low Income** – Not more than 30% of 50% of the County median household income;

**Low Income** – Not more than 30% of 70% (or 60% for rental projects) of the County median household income; and

**Moderate-Income** – Not more than 35% of 110% (or 30% of 110% for rental projects) of the County median household income.

### **4.1 HOUSING PRODUCTION REQUIREMENTS**

One of the fundamental goals of redevelopment in California is the production, improvement and preservation of the supply of housing affordable to very low-, low-, and moderate-income households. This goal is accomplished, in part, through the execution of three different, but interrelated requirements imposed on redevelopment agencies by the CCRL. These requirements are:



1. An agency must use at least 20 percent of its tax increment revenue to increase, improve and preserve the supply of low- and moderate-income housing in the community (CCRL Section 33334.2);
2. An agency must replace, in equal or greater number, very low-, low-, and moderate-income housing units and bedrooms which are destroyed or removed as a result of a redevelopment project (the "replacement rule," CCRL Section 33413(a));
3. An agency must ensure that a fixed percentage of all new or substantially rehabilitated dwelling units are affordable to very low-, low-, and moderate-income persons and families (the "inclusionary rule," CCRL Section 33413(b)(1))
  - a. At least 30 percent of all new or substantially rehabilitated dwelling units developed by the Agency must be available to persons or families of low- or moderate-income. Of these, 50 percent must be available to very low-income households. This requirement would apply to housing developed directly by the Agency, but not to housing projects developed by a private party under an agreement with the Agency.
  - b. At least 15 percent of all new dwelling units developed by parties other than the Agency or substantially rehabilitated dwelling units developed with Agency assistance shall be available at affordable costs to persons or families of low- or moderate-income. Of these, 40 percent must be available at affordable costs to very low-income households. This requirement applies in the aggregate, and not to each individual housing development project. These low- and moderate-income dwelling units may be provided outside the Project Area, but will only be counted on a two-for-one basis. In other words, if the Agency has an inclusionary housing need of 10 units inside the Project Area, then 20 units outside the Project Area would satisfy the overall requirement on a two-for-one basis.
  - c. Only low- and moderate-income housing units whose affordability is guaranteed on an on-going basis over the long term may be counted in meeting these requirements. For the purposes of this plan, long-term affordability is defined as not less than 55 years for rental units and 45 years for home ownership, or as otherwise defined in CRL Section 33413(c).

#### **4.2 PAST HOUSING PRODUCTION**

This section presents an analysis of the Agency's compliance with CCRL Sections 33490, 33413, 33334.2 or 33334.6, 33334.3, and 33334.4 regarding the Agency's housing production program for Preceding Implementation Plan time period. The information provided through Fiscal Year 2008/09 is factual, based upon the annual Agency reports to HCD of housing activity, the Preceding Implementation Plan, the Housing Element, and other empirical data. Subsequent data are estimated by Agency and UFI staff.

Inclusionary units are those units in which the affordability covenants are pursuant to Agency requirements or the benefit of the Agency. Affordable units located within the

Project Area, but with covenants held by another party or not recorded to comply with an Agency requirement, are not credited towards the Agency's inclusionary requirement.

As outlined above, housing production requirements are based upon replacement housing and inclusionary housing requirements. To determine whether an Agency has met those requirements, each category must be reviewed.

### **Replacement Housing**

Between January 1, 2003 and June 30, 2009, the Agency did not destroy or remove any affordable housing units from within the Project Area.

### **Inclusionary Housing in the Project Area: Agency Developed**

Between January 1, 2003 and June 30, 2009, no housing units were directly built or substantially rehabilitated inside of the Project Area by the Agency.

### **Inclusionary Housing Outside the Project Area: Agency Developed**

Between January 1, 2003 and June 30, 2009, no housing units were directly built or substantially rehabilitated outside of the Project Area by the Agency.

### **Inclusionary Housing Inside the Project Area: Non-Agency Developed**

According to the Agency's annual reports on housing activity in the Project Area, there were 165 non-agency new and substantially rehabilitated units produced in the Project Area between January 1, 2003 and June 30, 2009. These units are shown in Table 5 by project name, type of construction, total number of units, and number of units restricted for households for Very Low- and Low- and Moderate-Income. There were 165 units produced in the Project Area, of which 58 were reserved for households of Very Low-Income and 22 for Low- and Moderate-Income households.



*A Crown Laurel Home*

The inclusionary requirement for non-agency built housing is 15 percent of the units produced with forty percent of those units made available to Very Low-Income households. Fifteen percent of 165 is 25. Therefore, the inclusionary obligation accrued for the Preceding Implementation Plan term of January 1, 2003, through June 30, 2009, is 25 units with 10 of these units reserved for Very Low-Income households and 15 for Low-and Moderate-Income Income. The Agency's inclusionary obligation for the Preceding Implementation Plan period was met.



**Table 5**  
Housing Production in Project Area  
January 1, 2003, through June 30, 2009

Project Name	Type of Construction	Total Number of Units	Restricted Units	
			Very Low	Low and Moderate
Casa Con Tres	Substantial Rehab	12	12	0
Signorelli Apartments	New Construction	14	1	2
Hulsey Duplex	New Construction	2	0	0
Single Family Home	New Construction	1	0	0
Walnut Village	New Construction	39	3	3
Pedegro Apartments	New Construction	9	0	0
Donate Apartments	New Construction	8	0	0
Barber P Street Homes	New Construction	2	0	0
Spathe Triplex	New Construction	3	0	0
M & M Investment Triplex	New Construction	3	0	0
Magana Duplex	New Construction	2	0	0
Arce Single Family Home	Substantial Rehab	1	0	0
Garcia Single Family Home	New Construction	1	0	0
Gutierrez Single Family Home	New Construction	1	0	0
Wheeler/Big West	New Construction	3	0	0
Trinity Ventures	New Construction	1	0	0
G & College Apartments	New Construction	35	25	9
Wolberg Apartments	New Construction	8	0	8
Crown Laurel Single Family Home	New Construction	1	0	0
Crown Laurel Single Family Home	New Construction	1	0	0
Reyes Single Family Home	New Construction	1	0	0
Portabello Apartments 305 – 309 North K Street	Substantial Rehab	13	13	0
328 – 330 North K Street	New Construction	4	4	0
<b>TOTAL</b>		<b>165</b>	<b>58</b>	<b>22</b>

### **Summary of Inclusionary Obligation**

Based upon data provided in the Preceding Implementation Plan, the Agency began the term on January 1, 2003, with an inclusionary obligation surplus of 199 affordable units, of which 101 were Very Low-Income units and 98 were Low- and Moderate-Income units. During the course of the Implementation Plan term, an additional 165 units were produced with a 15 percent affordable housing obligation of 25 units. The Agency produced 80 covenanted affordable units; thereby meeting its inclusionary obligation.

Table 6 demonstrates the inclusionary housing obligation and production that results in a cumulative surplus through June 30, 2009 of 254 units, of which 139 are Very Low-Income units and 115 are Low- and Moderate-income units. This surplus will be carried



over to determine the Agency's inclusionary housing obligation for the next five and ten years as required by State redevelopment law.

**Table 6**  
**Projected Inclusionary Housing Obligation Plan Adoption through June 30, 2009**

	Dwelling Units Produced	Units Made Affordable at Affordable Housing Cost					Project Area Status	
		TOTAL	VeryLow <sup>5</sup>		Low-Moderate <sup>6</sup>		Cumulative Deficit or Surplus	
		Inclusionary Obligation	Inclusionary Obligation	Actual Number of Units Restricted	Inclusionary Obligation	Actual Number of Units Restricted	Very Low	Low - Moderate
Balance Forward <sup>2</sup>	323	48	19	120	29	127	101	98
Agency Developed <sup>3</sup>	0	0	0	0	0	0	0	0
Non-Agency Developed <sup>4</sup>	165	25	10	48	15	32	38	17
<b>New Balance Forward</b>	<b>488</b>	<b>73</b>	<b>29</b>	<b>168</b>	<b>44</b>	<b>159</b>	<b>139</b>	<b>115</b>

<sup>1</sup> Compliance with Sections 33413(b)(1),(c),(d)(1), and 33490(a)92)(A)(ii).

<sup>2</sup> Per Agency calculations from Plan adoption through December 31, 2002. Includes Original Plan and Amendments.

<sup>3</sup> Inclusionary obligation is 30 percent of units produced with 50 percent allocated to Very-Low Income households. Per Agency calculations from January 1, 2003, through June 30, 2009.

<sup>4</sup> Inclusionary obligation is 15 percent of units produced with 40 percent allocated to Very-Low Income households. Agency calculations from January 1, 2003, through June 30, 2009 (Table 5).

<sup>5</sup> As defined by Health and Safety Code 50105.

<sup>6</sup> As defined by Health and Safety Code 50093

### **4.3 PROJECTED HOUSING PRODUCTION**

The same analysis applies to projected housing production for the current Implementation Plan to anticipate the Agency's continued compliance with CCRL Sections 33490, 33413, 33334.2 or 33334.6, 33334.3, and 33334.4. The data are estimated based upon Staff discussions, the Housing Element, and other empirical data. It covers the time period of July 1, 2009, through June 30, 2014.

#### **Replacement Housing**

The Agency is not anticipating destroying or removing any occupied low- and moderate-income housing units from within the Project Area.

#### **Inclusionary Housing in the Project Area: Agency Developed**

The Agency does not anticipate directly producing units within the Project Area. The Agency expects to contract with private entities for the rehabilitation of affordable units.

#### **Inclusionary Housing Outside the Project Area: Agency Developed**

The Agency does not anticipate directly producing units or contracting with private entities to produce units outside of the Project Area.



**Inclusionary Housing Inside the Project Area: Non-Agency Developed**

The Agency has been working with the Lompoc Housing and Community Development Corporation (LHCDC), Habitat for Humanity, and Santa Barbara Housing Assistance Corporation to produce affordable housing units in the Project Area. Projects expected to be completed during the current Implementation Plan period are shown in Table 7.

Table 7 Anticipated Inclusionary Housing July 1, 2009, through June 30, 2014				
Project	Type	Total Units	Restricted Units	
			Very Low	Low/Mod
Crown Laurel	Single Family Dwellings	73	4	7
Homebase on G Street	Single Room Occupancy	39	22	3
Ocean Plaza	Senior Housing Facility	78	15	24
Casa del Desarrollo	Studio apartments	19	5	7
Housing Authority/ West Ocean Avenue <sup>1</sup>	Multiple Family	55	4	5
SUBTOTAL		264	50	46

<sup>1</sup> Includes the removal of ten existing units.

Additionally, there are three projects that have been approved (entitled), but are currently dormant. These projects are not included in the housing production calculations; however, will be reconsidered at the Midterm Review. The projects are:

1. Mosaic Terrace: 73 units (4 Very Low, 7 Low/Mod)
2. River Terrace: 308 units (18 Very Low, 29 Low/Mod)
3. Chestnut Crossing: 34 units (2 Very Low, 3 Low/Mod)

**Summary of Inclusionary Obligation**

As shown in Table 8, the Agency will begin the current Implementation Plan period with an inclusionary obligation surplus of 253 affordable units, of which 138 are Very Low-Income units and 115 are Low-and Moderate-Income units. During the course of the FY 2010 - FY 2014 Implementation Plan term, an additional 264 units are expected to be constructed in the Project Area, as shown in Table 7. This would add an inclusionary obligation of 40 units, of which 16 are to be restricted to households of Very Low-Income and 24 to households of Low- and Moderate-Income. Affordable housing production is anticipated at 96 units.

Table 8 projects the inclusionary obligation for the Agency for the next five years. With the assumptions made in this report, the Agency will have met its obligations for inclusionary housing at the end of the Implementation Plan period. Even if the dormant projects are constructed, the Agency will still meet its inclusionary obligation.



**Table 8**  
**Projected Inclusionary Housing Obligation Plan Adoption through June 30, 2014**

	Dwelling Units Produced	Units Made Affordable at Affordable Housing Cost					Project Area Status	
		TOTAL	VeryLow <sup>5</sup>		Low-Moderate <sup>6</sup>		Cumulative Deficit or Surplus	
		Inclusionary Obligation	Inclusionary Obligation	Actual Number of Units Restricted	Inclusionary Obligation	Actual Number of Units Restricted	Very Low	Low - Moderate
Balance Forward <sup>2</sup>	0	0	0	0	0	0	0	0
Agency Developed <sup>3</sup>	0	0	0	0	0	0	0	0
Non-Agency Developed <sup>4</sup>	264	40	16	50	24	46	34	22
<b>New Balance Forward</b>	<b>264</b>	<b>40</b>	<b>16</b>	<b>50</b>	<b>24</b>	<b>46</b>	<b>34</b>	<b>22</b>

<sup>1</sup> Compliance with Sections 33413(b)(1),(c),(d)(1), and 33490(a)92(A)(ii).

<sup>2</sup> Per Agency calculations from Plan adoption through June 30, 2009 (Table 6).

<sup>3</sup> Inclusionary obligation is 30 percent of units produced with 50 percent allocated to Very-Low Income households. Per Agency calculations for July 1, 2009, through June 30, 2014.

<sup>4</sup> Inclusionary obligation is 15 percent of units produced with 40 percent allocated to Very-Low Income households. Per Agency calculations for July 1, 2009, through June 30, 2014 (Table 7).

<sup>5</sup> As defined by Health and Safety Code 50105.

<sup>6</sup> As defined by Health and Safety Code 50093

#### **4.4 LOW AND MODERATE-INCOME HOUSING GOALS**

The Agency has one affordable housing goal with nine objectives:

**GOAL:** INCREASE, IMPROVE AND PRESERVE THE QUALITY OF LOW/MODERATE INCOME HOUSING THROUGHOUT THE PROJECT AREA AND THE CITY

##### **OBJECTIVES**

- 3.1 Identify, participate, and monitor housing programs that meet the Agency's inclusionary and replacement - and moderate-income housing requirements and the City's housing element.
- 3.2 Research the development of housing programs that will lead to the replacement and rehabilitation of low- and moderate-income housing units and off-site amenities.
- 3.3 Identify and assist housing projects that leverage additional private investment and which may leverage additional public funds leading to an increase in the community's housing stock.
- 3.4 Respond to miscellaneous neighborhood improvement needs.



- 3.5 Pursue the acquisition and recordation of covenants to ensure long term affordability of residential units.
- 3.6 Provide for the development and implementation of appropriate and feasible housing programs to increase, improve or preserve affordable housing.
- 3.7 Monitor affordable housing units to prevent the conversion to market rate units.
- 3.8 Compile, maintain and annually update a database of existing, new and substantially rehabilitated housing units developed or otherwise assisted with monies from the LMI Housing Fund or otherwise counted towards the Agency's inclusionary requirements and make such database available to the public on the City's/Agency's web site.
- 3.9 Carry-out any other affordable housing oriented project or program consistent with the CCRL and the Redevelopment Plan.

#### **4.5 PROJECTED HOUSING NEEDS**

CCRL Section 33334.4(a) requires that an agency must expend its LMI Housing Fund monies towards assisting housing for persons of very low-, low- and moderate-income in at least the same proportion as the total number of housing units needed for each of these income groups bears to the total number of units needed for very low-, low-, and moderate-income households within the community, as those needs have been determined by the most recent Regional Housing Needs Assessment (RHNA). This requirement must be met over the same 10-year implementation plan period as the requirements of CCRL Section 33413(b).

CCRL Section 33334.4(b), requires an Agency to expend LMI Housing Fund monies in at least the same proportion as the population under the age of 65 bears to the total population of the community as identified by the most recent census.

##### **4.5.1 Regional Housing Needs Assessment**

The State legislature adopted Assembly Bill 2853 in 1980 requiring all councils of government to develop regional allocations of housing needs (new and existing) for all income categories (fair share of housing) based on regional housing needs. The Santa Barbara County Regional Housing Needs Assessment (RHNA) states that the fair share for the City for period ending June 30, 2014, is 517 units. The income distribution is shown in Table 9.

Per CCRL Section 33334.4(a), these percentages are to be applied to Agency LMI Housing Fund spending. Based on the housing needs determined through the Fair Share Allocation process, at least 36.1 percent of all LMI Housing Fund expenditures must be made towards assisting very low-income headed households and at least 26.8 percent must be made towards assisting low-income headed households. Approximately 37.1 percent of all LMI Housing Fund expenditures can be used to assist moderate income households.



Income Distribution	Fair Share Unit Allocation	Percent of Affordable Units
Very Low-Income	120	36.1
Low-Income	89	26.8
Moderate-Income	123	37.1
<b>Affordable Units</b>	<b>332</b>	<b>100.0</b>
Above Moderate	185	
<b>TOTAL</b>	<b>517</b>	

Source: Santa Barbara County Association of Governments

#### 4.5.2 Senior Housing Need Assessment

CCRL Section 33334.4(b) limits the amount of money an agency can utilize from its LMI Housing Fund for the term of the Implementation Plan to assist senior, affordable housing. An agency must spend LMI Funds in the same proportion as senior low-income households bear to the total low-income households in the community, as determined in the most recent U.S. Census<sup>2</sup>. Prior to 2005, that limitation was based on the proportion that the senior population represented in the entire community. In 2005, SB 527 shifted the emphasis to low-income households due to the fact that in many communities, the senior population has a greater proportion of low-income earners and, therefore, a greater need for housing assistance than the general population. For example, seniors could represent only ten to 10 percent of the overall population of a community, but constitute 25 percent of the low-income population of the community. In such a circumstance, SB 527 allows an agency to provide assistance to a greater proportion of senior housing than the previous law allowed.

In order to compute the ratio of low-income senior households, 2000 Census data is used. Table 10 summarizes the calculation for Lompoc's LMI Housing Fund.

Total Number of Low-Income Households	6,681
Number of Low-Income Senior Households	1,591
Ratio of Senior Households to Total	23.8%

<sup>1</sup> Source: U.S. Census Bureau - 2000 Census; Comprehensive Housing Affordability Strategy (CHAS) data  
<sup>2</sup> Includes both renters and owners

According to the 2000 Census, 23.8 percent of the City's low-income households (1,591) were headed by low-income seniors. Therefore, in carrying out the

<sup>2</sup> It should be noted that the Census data considers age 62 and over to be "senior" whereas the CCRL utilizes age 65 and over. Also, the income levels in the Census are based on "Median Family Income" rather than the "Area Median Income" specified in the CCRL. These discrepancies are not addressed in 33334.4 and no case law currently exists to provide clarity. The approach used to compute the ratio of senior households reflects best industry practices.



requirements of CCRL Section 33334.4(a), no more than 23.8 percent of LMI Housing Fund expenditures may be allocated towards exclusively assisting senior restricted housing for the FY 2010 - FY 2014 Implementation Plan term.

#### **4.6 LOW- AND MODERATE-INCOME HOUSING PROGRAM**

To address the housing needs noted above, the Agency intends to implement an ambitious housing program. As noted previously, the national financial crisis has significantly impacted both the private and the public sector’s ability to construct decent and affordable housing. Nonetheless, the Agency intends to pursue implementation of the several programs and projects during the term of this Implementation Plan, subject to funding availability. Affordable housing programs that the Agency plans to continue are shown in Table 11.

Table 11 Affordable Housing Programs and Projects	
Housing Program	
First Time Homebuyer (FTHB) Program	
Multiple Family Façade Improvement Program	
Affordable Housing Incentive Program	
Affordable Housing Acquisition and Rehabilitation Revolving Loan Fund	
Affordable Housing Reserve Fund	
T Street Apartment Capital Improvement Project	

#### **4.7 LOW- AND MODERATE-INCOME HOUSING FUND**

Funding for the Agency’s housing program comes from several sources including state CalHFA funds and tax increment financing. The purpose of the Implementation Plan is document compliance with the CCRL; therefore, this report only analyzes tax increment financing and its relationship to housing plan compliance.

##### **4.7.1 Tax Increment “Set-Aside” Financing**

As required by the CCRL, the Agency will set aside twenty percent of its gross tax increment toward increasing, improving, and preserving affordable housing in the City. Table 12 summarizes the anticipated revenues and expenditures in the LMI Housing Fund. These numbers are based on the Agency’s fiscal reports, not the budget, and reflect actual expenditure rates. The numbers should not be used for bonding purposes; they are solely intended to reflect general trends and assumptions.

“Other Revenues” includes interest income and use of property (rental income). “Community Development” includes general and administration expenditures allocated to the LMI fund as well as projections of affordable housing program budgets. The affordable housing programs projected to continue are the First Time Homebuyer Program, the Multiple Family Façade Improvement Program, the Affordable Housing Incentive Program, the Affordable Housing Acquisition and Rehabilitation Revolving Loan Fund, and the Affordable Housing Reserve Fund.



<b>EXHIBIT 12</b>					
<b>PROJECTED AGENCY LMI HOUSING FUND PROGRAM EXPENDITURES</b>					
<b>JANUARY 1, 2003 THROUGH JUNE 30, 2009</b>					
<b>FUND ACTIVITY</b>	<b>FISCAL YEAR</b>				
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>CASH BALANCE FORWARD (1)</b>	1,920,000	264,000	267,000	295,000	351,000
<b>Estimated Receipts</b>					
A. Tax Increment (20% of gross allocation)	589,000	601,000	623,000	647,000	671,000
B. Interest Income (2)	35,000	5,000	5,000	5,000	6,000
C. Use of Property (3)	72,000	74,000	77,000	79,000	82,000
D. Bond Proceeds	1,550,000	0	0	0	0
E. Other Revenue	20,000	20,000	21,000	22,000	23,000
<b>Total Receipts</b>	<b>2,266,000</b>	<b>700,000</b>	<b>726,000</b>	<b>753,000</b>	<b>782,000</b>
<b>TOTAL AVAILABLE</b>	<b>4,186,000</b>	<b>964,000</b>	<b>993,000</b>	<b>1,048,000</b>	<b>1,133,000</b>
<b>Expenditures/Uses</b>					
A. Community Development (4)	225,000	225,000	225,000	225,000	225,000
B. Capital Expenditures	3,645,000	420,000	420,000	420,000	420,000
C. Debt Service	52,000	52,000	52,000	52,000	52,000
E. Other/Transfers/Adjustments	0	0	0	0	0
<b>Total Expenditures</b>	<b>3,922,000</b>	<b>697,000</b>	<b>697,000</b>	<b>697,000</b>	<b>697,000</b>
<b>YEARLY ENDING BALANCE</b>	<b>264,000</b>	<b>267,000</b>	<b>296,000</b>	<b>351,000</b>	<b>436,000</b>
<b>Excess Surplus Analysis</b>					
A. Maximum Allowable Fund Balance	2,306,000	2,376,000	2,402,000	2,460,000	2,542,000
B. Yearly Ending Fund Balance	264,000	267,000	296,000	351,000	436,000
C. Less: Bond Proceeds Held by Fiscal Agent	0	0	0	0	0
<b>D. Adjusted Ending Cash Balance</b>	<b>264,000</b>	<b>267,000</b>	<b>296,000</b>	<b>351,000</b>	<b>436,000</b>
<b>E. Excess surplus (5)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Note:</b>					
(1) Represents the Fiscal Year Beginning Balance of current cash and investments, adjusted for prior year earnings deposited into the Fund. Estimates are based on the Fiscal Year Ending 2008 Balance.					
(2) Interest Income is earned on the Agency's cash and investments during each Fiscal Year, and is estimated using the current yield on the Local Agency Investment Fund.					
(3) Represents income earned from property owned and/or operated by the Agency's Low Income Housing Fund.					
(4) Includes general and administrative expenditures allocated to the Low Income Housing Fund, and Housing Revolving Loan Funds (homebuyer assistance programs and the Multifamily Façade Program).					
(5) Excess Surplus represents the amount of money held by the Housing Fund that is greater than the previous 4 years of Fund income.					

Table 12 shows that the LMI Housing Fund is sufficiently healthy. The Agency has the resources to implement the housing programs and projects that are discussed in this Implementation Plan. In fact, the Agency must begin implementing its programs and projects at a higher expenditure rate to prevent excess surplus in its LMI Housing Fund.

#### **4.7.2 Excess Surplus**

Excess Surplus is defined and calculated based on provisions in Health & Safety Code Section 33334.12. Excess Surplus is determined on the first day of each fiscal year. The calculation requires comparing the sum of property tax increment deposited over the previous four fiscal years against the agency's adjusted beginning balance (prior year's ending adjusted unencumbered balance) to determine which amount is greater. Agencies are allowed to adjust their unencumbered balance to exclude the amount of unspent proceeds from the sale of bonds and the difference between the price of land sold during the reporting period compared to the land's fair market value. By statutory definition, Excess Surplus exists when the adjusted unencumbered balance exceeds the



greater of: (1) \$1 million or (2) the combined amount of property tax increment revenue deposited over the preceding four fiscal years.

Due to the inability of several housing projects to move forward, the Agency may exceed the excess surplus limit during the FY 2010 - FY 2014 Implementation Plan term. The budget shows the loan funds as encumbered, but if the non-profit housing organizations with whom the Agency contracts are not able to complete their projects, the Agency may reach excess surplus and be required to submit a plan to HCD on how it will expense the excess funds.

### 4.7.3 Other Funding Programs

Table 13 outlines other funding that may be available to the City and the Agency to further implement its Housing Production Plan.

Table 13 Financial Resources Available for Housing Activities			
Program Type	Program Name	Description	Eligible Activities
1. Federal Programs	Community Development Block Grant (CDBG)	Annual grants awarded to the City on a formula basis for housing & community development activities. Administered by HUD.	<ul style="list-style-type: none"> <li>Acquisition</li> <li>Rehabilitation</li> <li>Homebuyer assistance</li> <li>Homeless assistance</li> <li>Public services</li> </ul>
	Home Investment Partnership Act (HOME)	Formula grants to States and localities that communities use-often in partnership with local nonprofit groups-to fund a wide range of activities to low-income people.	<ul style="list-style-type: none"> <li>New construction</li> <li>Acquisition</li> <li>Rehabilitation</li> <li>Tenant-based rental assistance</li> </ul>
	Section 8 Rental Assistance Program	Rental assistance payments to owners of private market rate units on behalf of very low-income tenants. Administered by HUD.	<ul style="list-style-type: none"> <li>Rental assistance</li> </ul>
	Section 202	Grants to non-profit developers of supportive housing for the elderly. Administered by HUD.	<ul style="list-style-type: none"> <li>Acquisition</li> <li>Rehabilitation</li> <li>New construction</li> <li>Rental assistance</li> <li>Support services</li> </ul>
2. State Programs	California Housing Finance Agency (CHFA) Home Mortgage Purchase Program	CHFA sells tax exempt bonds for below market rate loans to first-time homebuyers. Program operates through participating lenders who originate loans for CHFA purchase.	<ul style="list-style-type: none"> <li>Homebuyer Assistance</li> </ul>
	California Housing Finance Agency (CHFA) Multiple Rental Housing Programs	Below market rate financing offered to builders & developers of multi-family and elderly rental housing.	<ul style="list-style-type: none"> <li>New Construction</li> <li>Rehabilitation</li> <li>Acquisition</li> </ul>



**Table 13**  
**Financial Resources Available for Housing Activities**

<b>Program Type</b>	<b>Program Name</b>	<b>Description</b>	<b>Eligible Activities</b>
		Tax exempt bonds provide below-market mortgage money.	
	Low-Income Housing Tax Credit (LIHTC)	Tax credits available to individuals & corporations that invest in low-income rental housing. Tax credits sold to people with high tax liability, & proceeds are used to create housing.	<ul style="list-style-type: none"> <li>• New Construction</li> <li>• Rehabilitation</li> <li>• Acquisition of properties from 20 to 150 units</li> </ul>
	Multi-Family Housing Program (MHP)	Deferred payment loans for new construction, rehabilitation & preservation of rental housing. Administered by HCD.	<ul style="list-style-type: none"> <li>• New Construction</li> <li>• Rehabilitation</li> <li>• Preservation</li> </ul>
<b>3. Local/County Program</b>	Redevelopment Housing Set-Aside Funds	20 percent of Agency tax increment funds are set-aside for affordable housing activities.	<ul style="list-style-type: none"> <li>• New Construction</li> <li>• Rehabilitation</li> <li>• Acquisition</li> </ul>
	Mortgage Credit Certificate (MCC) Program	Income tax credits available to first-time home buyers for the purchase of new or existing single-family housing. Eligible participating city's or unincorporated areas.	<ul style="list-style-type: none"> <li>• Homebuyer Assistance</li> </ul>
	Mortgage Assistance Program (MAP)	Deferred payment down payment assistance loan. Subject to availability by county for participating cities and unincorporated areas of a county.	<ul style="list-style-type: none"> <li>• Homebuyer Assistance</li> </ul>
<b>4. Private Resources/ Financing Programs</b>	Federal National Mortgage Association (Fannie Mae)	Loan applicants apply to participating lenders for the following programs: fixed rate mortgages issued by private mortgage insurers; And related foreclosure prevention programs in underserved low-income & minority communities.	<ul style="list-style-type: none"> <li>• Homebuyer assistance</li> <li>• Refinancing</li> <li>• Loan Modification</li> <li>• Foreclosure Prevention</li> </ul>
	California Community Reinvestment Corporation (CCRC)	Non-profit mortgage banking consortium designed to provide tax-exempt private placement bond program financing for affordable multi-family & senior rental housing.	<ul style="list-style-type: none"> <li>• New Construction</li> <li>• Rehabilitation</li> <li>• Acquisition</li> <li>• Permanent Financing</li> </ul>
	Federal Home Loan Bank Affordable Housing Program	Provides grants and subsidized loans to support affordable rental housing and homeownership opportunities. Grants are	<ul style="list-style-type: none"> <li>• New Construction</li> </ul>



Table 13 Financial Resources Available for Housing Activities			
Program Type	Program Name	Description	Eligible Activities
		awarded on a competitive basis.	
	Low-Income Housing Fund (LIHF)	Non-profit lender offering below market interest, short term loans for affordable housing in both urban & rural areas. Eligible applicants include non-profits & government agencies. Grant opportunities are also available.	<ul style="list-style-type: none"> <li>• Redevelopment costs</li> <li>• Site acquisition</li> <li>• Construction</li> <li>• Rehabilitation</li> <li>• Planning grants</li> <li>• Energy Efficiency Grants</li> <li>• Child Care Centers</li> <li>• Quality Improvement Grants</li> <li>• Expansion Grants</li> <li>• Renovation &amp; Repair Grants</li> <li>• Technical Assistance Grants</li> </ul>
	Private Lenders	The Community Reinvestment Act (CRA) requires certain regulated financial institutions to achieve goals for lending in low- & moderate-income neighborhoods. As a result, most of the larger private lenders offer one or more affordable housing programs, including first-time homebuyer, housing rehabilitation, or new construction assistance.	<ul style="list-style-type: none"> <li>• Varies, depending on individual program offered by bank</li> </ul>

#### **4.8 TEN YEAR INCLUSIONARY HOUSING REQUIREMENTS**

CCRL Section 33490(a)(2)(b) requires that the Implementation Plan provide certain "Ten-Year" and "Life-of-the-Plan" housing production and inclusionary information. According to the Available Sites Inventory of the Housing Element, shown in Appendix C, the build-out potential of the Project Area allows for 1,305 new units. The inclusionary requirement for non-agency built housing is fifteen percent or 196 affordable units by 2030. Extrapolating evenly over the term of the General Plan, the ten year (2014) inclusionary housing requirement is 129 units. The Agency anticipates executing affordable housing covenants on 310 units by June 30, 2014. The Agency will meet its ten year inclusionary housing requirement.

#### **4.9 CONSISTENCY WITH GENERAL PLAN**

CCRL Section 33413(b) (4) requires that each agency, ". . .as part of the implementation plan required by Section 33490, shall adopt a [Housing Production] plan. . . ." Section 33413 (b)(4) requires that "[t]he plan shall be consistent with. . .the community's housing element." Additionally, "[t]he plan shall be reviewed and, if necessary, [be] amended at least every five years in conjunction with either the housing element cycle or the plan implementation cycle."



Chapter 9 of the State's General Plan Guidelines of 2003 (the "Guidelines") states the California Attorney General has opined that "the term 'consistent with' is used interchangeably with 'conformity with.'" The general rule of consistency outlined in the Guidelines is that "[a]n action, program, or project is consistent with the general plan if, considering all its aspects, it will further the objectives and policies of the general plan and not obstruct their attainment."

The following Goals and Policies are contained within the City's Draft 2009 Housing Element:

1. Provide a choice of housing opportunities for all economic segments of the community.
2. Restore, protect, and improve the condition of existing housing and neighborhoods.
3. Locate and design housing so as to assure an attractive and high quality living environment.
4. Maximize energy efficiency in existing and future residential development.

In compliance with CCRL Section 33490, the Agency has developed, and included in Section 4 of this Implementation Plan, a goal statement and related objectives specific to the development and implementation of Agency sponsored affordable housing programs in the City. These goals are consistent with the goals contained in the City's Draft 2009 Housing Element. It has established the projects and programs that it intends to implement to meet its housing goals and its housing production plan for consistency with the Draft 2009 Housing Element.

The Agency, therefore, determines that the housing goal included in this Implementation Plan and related objectives, ongoing activities, and housing production plan, as outlined in this Implementation Plan, are consistent with the housing element of the City's General Plan.



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## **5.0 PLAN ADMINISTRATION**

The Agency shall be responsible for administering the Implementation Plan and for monitoring redevelopment activities or programs undertaken pursuant to it.

### **5.1 PLAN REVIEW**

At least once within the five year Implementation Plan term, the Agency shall conduct a public hearing and hear testimony of all interested parties for the purpose of reviewing the adopted Redevelopment Plan, the Implementation Plan, and evaluating the progress of the Project. The public hearing shall be held no earlier than two years and no later than three years after the date of adoption of this Plan.

Notice of public hearing to review the Redevelopment Plan and Implementation Plan shall be published pursuant to Section 6063 of the Government Code and posted in at least four permanent places within the Project Area for a period of at least three weeks. Publication and posting must be completed not less than ten days prior to the date set for hearing.

### **5.2 PLAN AMENDMENT**

Pursuant to CCRL 33490, the Implementation Plan may be amended from time to time after holding a public hearing.

### **5.3 FINANCIAL COMMITMENTS SUBJECT TO AVAILABLE FUNDS**

The Agency is authorized to utilize a wide variety of funding sources for implementing the Redevelopment Plan. Such funding sources include, but are not limited to, financial assistance from the City, State of California, federal government, property tax increment, interest income, Agency bonds secured by tax increment or other revenues or other legally available revenue source. Although the sources of revenue used by the Agency are generally deemed to be reliable from year to year, such funds are subject to legislative, program, or policy changes that could reduce the amount or the availability of the funding sources upon which the Agency relies.

In addition, with regard to the Agency's primary revenue source, tax increment revenues, it must be noted that revenue flows are subject to diminution caused by events not controlled by the Agency, which reduce the taxable value of land or improvements in the Project Area. Moreover, the formulas governing the amount or percentage of tax increment revenues payable to the Agency may be subject to legislative changes that directly or indirectly reduce the tax increment revenues available to the Agency.

Due to the above-described uncertainties in Agency funding, the projects described herein and the funding amounts estimated to be available are subject to modification, changes in priority, replacement with another project, or cancellation by the Agency.

### **5.4 REDEVELOPMENT PLAN CONTROLS**

If there is a conflict between the Implementation Plan and the Redevelopment Plan or any other City or Agency plan or policy, the Redevelopment Plan shall control.



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## **APPENDIX A**

### **Affordability Covenants Held by Agency**

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**LOMPOC REDEVELOPMENT AGENCY: Existing Residential Covenants**  
As of 12/30/2008

PROPERTY ADDRESS	PROJECT NAME (IF APPLICABLE)	APN	# OF RESTRICTED UNITS	UNIT SIZE	DATE CONSTRUCTION OR REHAB COMPLETED	COVENANT RECORDATION DATE	COVENANT RECORDATION #	COVENANT MATURITY	OCCUPIED TRANSFER DATE	INCLUSIONARY	ASSISTED
800 N. G Street	Arbor Square	87-032-01 87-032-02 87-032-03 87-032-04 87-032-05 87-032-06 87-032-07 87-032-08 87-032-13 87-032-14 87-032-15 87-032-16 87-032-17 87-032-18 87-032-19 87-032-20	125	21=1 bd 104=2 bd	12/11/2002	12/19/2001	2001-0110286	12/15/2031	N/A	Yes	No
221 Quail	Walnut Village	85-110-33	1	3 bd	5/19/2004	10/31/2003	2003-0150540	5/20/2049	N/A	Yes	No
257 Quail	Walnut Village	85-110-41	1	3 bd	5/26/2004	10/31/2003	2003-0150540	5/24/2049	N/A	Yes	No
313 Dove	Walnut Village	85-110-48	1	3 bd	6/17/2004	10/31/2003	2003-0150540	7/30/2049	N/A	Yes	No
300 Dove	Walnut Village	85-110-53	1	3 bd	7/19/2004	10/31/2003	2003-0150540	8/13/2049	N/A	Yes	No
313 Quail	Walnut Village	85-110-58	1	3 bd	7/19/2004	10/31/2003	2003-0150540	7/27/2049	N/A	Yes	No
300 Quail	Walnut Village	85-110-62	1	3 bd	7/24/2004	10/31/2003	2003-0150540	8/11/2049	N/A	Yes	No
115 S. L Street	Signorelli Apts	91-093-17	3	1 bd	7/2/2003	3/28/2003	2003-0038990	5/15/2032	N/A	Yes	No
G & E. College	G & College Apts	87-132-01 87-132-04	34	11=2 bd 14=3 bd 9=4 bd	8/14/2008	7/9/2008	2008-0040796	12/15/2059	N/A	Yes	No
513-519 N. G Street	Homebase on G	87-192-20 87-192-19	6	studios	in process	3/7/2008	2008-0013221	2/12/2063	N/A	Yes	No
513-519 N. G Street	Homebase on G	87-192-20 87-192-19	19	studios	in process	2/6/2008	2008-0006863	3/12/2063	N/A	No	Yes

PROPERTY ADDRESS	PROJECT NAME (IF APPLICABLE)	APN	# OF RESTRICTED UNITS	UNIT SIZE	DATE CONSTRUCTION/REHAB COMPLETED	COVENANT RECORDATION DATE	COVENANT RECORDATION #	COVENANT MATURITY	OCCUPIED TRANSFER DATE	INCLUSIONARY	ASSISTED
Crown Cr & Plum Ave	Crown Laurel	89-500-04 89-500-06 89-500-11 89-500-15 89-500-32 89-500-38 89-500-46 89-500-54 89-500-66 89-500-68 89-500-73	11	3 bd	in process	3/7/2007	2007-0057324	7/2/2052	N/A	Yes	No
305-309 N. K Street	Portabello Apts	91-021-21 91-021-22	13	12=2 bd 1=1 bd	11/22/2007	11/15/2000	2000-0070646	11/14/2030	N/A	No	Yes
709-713 N. E Street	Southern Court	87-101-09	12	1 bd	2/28/2002	2/28/2001	2001-0014134	2/27/2031	N/A	No	Yes
120 & 120 1/2 S. K Street	K Street Cottages	91-102-17	2	2 bd	8/22/2000	1/24/2000	2000-0004413	11/29/2029	N/A	No	Yes
518 W. Laurel	Habitat=Mitchell	91-430-06	1	3 bd	4/23/2003	3/31/2004	2004-0030332	11/11/2047	N/A	No	Yes
520 W. Laurel	Habitat=Vanwagene	91-430-05	1	3 bd	4/23/2003	3/31/2004	2004-0030336	11/11/2047	N/A	No	Yes
401-405 W. Chestnut	Chestnut Apts	91-021-08	3	2 bd	acquisition only	3/31/2000	2000-0018835	3/31/2030	N/A	No	Yes
521-537 N. T Street	T & College	89-152-02 89-152-03	35	5=1 bd 30=2 bd	1/6/2006	10/10/2001	2001-0087099	10/5/2031	N/A	No	Yes
501-513 N. S Street and 508 N. T Street	Jay Apts	89-161-07 89-161-08 89-161-10	26	2 bd	acquisition only	3/22/2002	2002-0027668	3/14/2032	N/A	No	Yes
434-438 N. L Street	Casa Con Tres	89-231-17 89-231-18	12	3 bd	3/1/2005	7/10/2003	2003-0092008	6/16/2058	N/A	No	Yes
328-330 N. K Street		91-022-17	4	3 bd	9/23/2005	8/14/2001	2001-0069283	7/31/2031	N/A	No	Yes
733 N. E Street	Courtyard	87-101-03 87-101-04 87-101-05	18	2 bd	3/29/2001	6/16/1997	97-033948	6/16/2037	N/A	No	Yes
130 5th Street (RDA Production=24	Casa Serena	85-150-80	48	10=2 bd 38=1 bd	3/21/2006	5/25/2004	2004-0056029	2/14/2050	N/A	No	Yes
1404 & 1408 W. College	College Avenue	89-151-03	TBD*	TBD*	in process	2/17/2006	2006-0013762	2/15/2051	N/A	No	Yes
308 N. K Street		91-022-21	3*	TBD*	awaiting final plan	2/9/2006	2006-0011381	2/7/2051	N/A	No	Yes
500 Block N. T Street	T Street Condos	89-161-12	5	3=2 bd 2=3 bd	in process	4/12/2006	2006-0028745	3/9/2049	N/A	No	Yes

PROPERTY ADDRESS	PROJECT NAME (IF APPLICABLE)	APN	# OF RESTRICTED UNITS	UNIT SIZE	DATE CONSTRUCTION/REHAB COMPLETED	COVENANT RECORDATION DATE	COVENANT RECORDATION #	COVENANT MATURITY	OCCUPIED TRANSFER DATE	INCLUSIONARY	ASSISTED
521-523 W. Ocean Ave	Wolberg Apts	91-073-15	7	3 bd	8/7/2008	8/12/2008	2008-0047784	7/1/2063	N/A	No	Yes
521-523 W. Ocean Ave	Wolberg Apts	91-073-15	1	3 bd	8/7/2008	9/24/2008	2008-0055613	9/3/2063	N/A	No	Yes
114 S. K Street	Casa Del Desarrollo	91-102-18 91-102-19	9	studios	awaiting final plan	1/31/2006	2006-0008407	1/30/2061	N/A	No	Yes
TOTAL UNITS			404								

UNIT SIZE TOTALS:

Studio	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	TBD
34	80	219	59	9	3

\*units will be reported when plans are finalized  
TBD=To Be Determined



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## **APPENDIX B**

**Draft 2009 Housing Element Available Sites  
Inventory within the Project Area**

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**ORIGINAL PROJECT AREA**

PROJECT	APN	Address	Use	GP	ZONING	ACRES	EXISTING	MAXIMUM	FORECAST	STATUS
0	8508101	239 N H ST	HE	OTC	OTC	0.18	0	34	34	entitled
0	8508203	231 N G ST	HE	MU	MU	0.16	0	4	2	underutilized
0	8508204	227 N G ST	HE	MU	MU	0.24	0	6	3	underutilized
0	8508205	223 N G ST	HE	MU	MU	0.16	0	4	2	underutilized
0	8508206	219 N G ST	HE	MU	MU	0.08	1	2	0	underutilized
0	8508208	211 N G ST	HE	MU	MU	0.20	0	5	2	underutilized
0	8508210	115 E WALNUT AVE	HE	MU	MU	0.16	0	4	2	underutilized
0	8508214	222 N H ST	HE	OTC	OTC	0.40	0	9	4	underutilized
0	8512107	109 W OCEAN AVE	HE	OTC	OTC	0.08	0	2	1	underutilized
0	8512115	120 W WALNUT AVE	HE	OTC	OTC	0.24	0	6	3	underutilized
0	8512205	121 N G ST	HE	MU	MU	0.16	0	5	2	vacant
0	8512206	113 N G ST	HE	MU	MU	0.24	2	6	1	underutilized
0	8512207	119 E OCEAN AVE	HE	OTC	OTC	0.24	0	6	3	underutilized
0	8512210	113 E OCEAN AVE	HE	OTC	OTC	0.32	0	8	4	vacant
0	8512220	136 N H ST	HE	OTC	OTC	0.32	0	8	4	vacant
0	8512221	122 N H ST	HE	OTC	OTC	0.48	0	11	5	underutilized
0	8512222	107 E OCEAN AVE	HE	OTC	OTC	0.46	0	11	5	vacant
0	8512303	129 N F ST	HE	MU	MU	0.20	0	5	2	vacant
0	8512304	125 N F ST	HE	MU	MU	0.20	0	5	2	underutilized
0	8512305	117 N F ST	HE	MU	MU	0.16	0	4	2	vacant
0	8512309	211 E OCEAN AVE	HE	MU	MU	0.16	0	4	2	vacant
0	8512316	135 N F ST	HE	MU	MU	0.08	0	2	1	vacant
0	8512318	219 E OCEAN AVE	HE	OTC	OTC	0.20	0	5	2	underutilized
0	8513116	128 N F ST	HE	MU	MU	0.12	1	3	0	underutilized
0	8513206	119 N D ST	HE	MU	MU	0.16	1	4	1	underutilized
0	8516108	113 S H ST	HE	OTC	OTC	0.16	0	4	2	underutilized
0	8516121	120 S I ST	HE	OTC	OTC	0.32	0	8	4	underutilized
0	8516124	135 S H ST	HE	OTC	OTC	0.16	0	4	2	underutilized
0	8516202	108 E OCEAN AVE	HE	OTC	OTC	0.16	0	4	2	underutilized
0	8516203	112 E OCEAN AVE	HE	OTC	OTC	0.08	0	2	1	underutilized
0	8516204	114 E OCEAN AVE	HE	OTC	OTC	0.08	0	2	1	underutilized
0	8516205	116 E OCEAN AVE	HE	OTC	OTC	0.08	0	2	1	underutilized
0	8516218	124 S H ST	HE	OTC	OTC	0.08	0	2	1	vacant
0	8516219	122 S H ST	HE	OTC	OTC	0.08	0	2	1	vacant
0	8516222	112 S H ST	HE	OTC	OTC	0.12	0	3	1	underutilized
0	8517103	316 E OCEAN AVE	HE				0	60	60	entitled
0	9108210	315 W OCEAN AVE	HE	OTC	OTC	0.10	0	3	1	vacant
0	9108304	119 N I ST	HE	OTC	OTC	0.24	0	6	3	underutilized
0	9108309	209 W OCEAN AVE	HE	OTC	OTC	0.08	0	2	1	vacant
0	9110203	314 W OCEAN AVE	HE	OTC	OTC	0.16	0	4	2	underutilized
0	9110210	129 S J ST	HE	MU	MU	0.12	1	3	0	underutilized
0	9110211	133 S J ST	HE	MU	MU	0.12	1	3	0	underutilized
0	9110214	311 1/2 W CYPRESS AVE	HE	HDR	R3	0.12	1	3	1	underutilized
0	9110218	114 S K ST	HE	HDR	R3	0.24	0	6	4	underutilized
0	9110219	110 S K ST	HE	HDR	R3PD	0.08	0	2	1	vacant
0	9110308	127 S I ST	HE	OTC	OTC	0.24	0	6	3	vacant
0	9110313	126 S J ST	HE	OTC	OTC	0.16	0	4	2	vacant
0	9110316	114 S J ST	HE	OTC	OTC	0.16	0	4	2	underutilized
0	9110319	118 S J ST	HE	OTC	OTC	0.28	0	7	3	vacant
0	9110321	117 S I ST	HE	OTC	OTC	0.20	0	5	2	vacant
0	9110322	121 S I ST	HE	OTC	OTC	0.20	0	5	2	vacant
							8	319	192	

**AMENDMENT NO. 1**

PROJECT	APN	Address	Available	GP	ZONING	ACRES	EXISTING	MAXIMUM	FORECAST	STATUS
1	8502101	331 N G ST	HE	MU	MU	0.21	0	5	2	underutilized
1	8502104	321 N G ST	HE	MU	MU	0.48	0	11	5	underutilized
1	8502108	320 N H ST	HE	GC	C2	0.16	0	6	2	vacant
1	8502113	338 N H ST	HE	GC	C2	0.40	0	14	5	vacant
1	8502114	339 N G ST	HE	MU	MU	0.40	0	9	4	vacant
1	8509102	233 N E ST	HE	MDR	R2	0.15	0	3	2	vacant
1	8509110	200 N F ST	HE	MDR	R2	0.24	1	4	1	underutilized
1	8509303	235 N C ST	HE	MDR	R2	0.13	66	73	0	underutilized
1	8509315	206 N D ST	HE	MDR	R2	0.13	3	2	-2	underutilized
1	8510112	204 N C ST	HE	MDR	R2	0.16	0	3	2	vacant
1	8513301	137 N C ST	HE	MU	MU	0.19	0	5	2	underutilized
1	8513302	133 N C ST	HE	MU	MU	0.13	1	3	0	underutilized
1	8513305	119 N C ST	HE	MU	MU	0.20	0	5	2	underutilized
1	8514111	126 N C ST	HE	MU	MU	0.32	0	8	4	underutilized
1	8514112	112 N C ST	HE	MU	MU	0.40	0	9	4	underutilized
1	8514113	116 N C ST	HE	MU	MU	0.40	2	9	2	underutilized
1	8515008	1301 E OCEAN AVE	HE	HDR	R3	3.15	2	69	47	underutilized
1	8516313	131 S F ST	HE	HDR	R3	0.16	3	4	-1	underutilized
1	8516315	136 S G ST	HE	HDR	R3	0.26	1	6	3	underutilized
1	8516318	118 S G ST	HE	MU	MU	0.16	0	4	2	vacant
1	8516319	112 S G ST	HE	MU	MU	0.16	1	4	1	underutilized
1	8517104	111 S E ST	HE	MU	MU	0.32	4	8	0	underutilized
1	8517108	134 S F ST	HE	HDR	R3	0.20	0	5	3	underutilized
1	8517109	128 S F ST	HE	HDR	R3	0.20	0	5	3	underutilized
1	8517113	112 S F ST	HE	MU	MU	0.20	0	5	2	underutilized
1	8518120	117 S B ST	HE	MU	MU	0.16	0	4	2	vacant
1	8520102	207 S H ST	HE	MDR	R2	0.16	0	3	2	vacant
1	8520113	226 S I ST	HE	MDR	R3	0.16	0	4	2	vacant
1	8704054	108 E NORTH AVE	HE	GC	PCD	1.90	0	18	22	vacant
1	8704055	928 N H ST	HE	GC	PCD	1.50	0	23	18	vacant
1	8704056	901 N G ST	HE	GC	PCD	1.45	0	24	17	vacant
1	8704072	735 N A ST	HE	HDR	R3	0.12	1	3	1	underutilized
1	8710207	717 N D ST	HE	HDR	R3	0.16	3	4	-1	underutilized
1	8710208	713 N D ST	HE	HDR	R3	0.16	3	4	-1	underutilized
1	8710209	709 N D ST	HE	HDR	R3	0.16	3	4	-1	underutilized
1	8710212	700 N E ST	HE	HDR	R3	0.16	3	4	-1	underutilized
1	8710213	704 N E ST	HE	HDR	R3	0.16	3	4	-1	underutilized
1	8713101	638 N H ST	HE	GC	PCD	0.79	0	28	9	vacant
1	8719105	527 N H ST	HE	GC	C2	0.16	0	6	2	vacant
1	8719115	519 N H ST	HE	GC	C2	0.16	0	6	2	vacant
1	8719210	502 N H ST	HE	GC	C2	0.16	0	6	2	vacant
1	8719212	512 N H ST	HE	GC	HC	0.16	0	6	2	vacant
1	8719305	527 N F ST	HE	HDR	R3	0.16	1	4	1	underutilized
1	8719307	519 N F ST	HE	MDR	R3	0.16	1	4	1	underutilized
1	8719310	507 N F ST	HE	MDR	R3	0.16	1	4	1	underutilized
1	8719314	508 N G ST	HE	MDR	R3	0.24	1	6	3	underutilized
1	8724107	401 N H ST	HE	GC	C2	0.29	0	10	3	vacant
1	8724110	420 N I ST	HE	HDR	R3	0.16	1	4	1	underutilized
1	8724201	438 N H ST	HE	GC	C2	0.16	0	6	2	vacant
1	8724213	422 N H ST	HE	GC	C2	0.16	0	6	2	vacant
1	8724215	430 N H ST	HE	GC	C2	0.24	0	8	3	vacant
1	8725101	302 E MAPLE AVE	HE	HDR	R3PD	0.40	0	9	6	vacant
1	8725113	418 N F ST	HE	HDR	R3	0.72	1	16	10	underutilized
1	8904034	914 N P ST	HE	LDR	7R1	0.16	0	2	1	vacant
1	8907027	901 N H ST	HE	GC	PCD	0.30	0	11	4	vacant
1	8907030	101 W OAK AVE	HE	GC	PCD	0.11	0	4	1	vacant
1	8907035	100 W OAK AVE	HE	GC	PCD	0.29	0	10	3	vacant
1	8910422	913 W AIRPORT AVE	HE	LDR	7R1	0.14	1	1	0	underutilized
1	8914306	909 W COLLEGE AVE	HE	HDR	R3PD	0.27	1	6	3	underutilized
1	8914307	905 W COLLEGE AVE	HE	HDR	R3PD	0.22	2	5	1	underutilized
1	8914308	903 W COLLEGE AVE	HE	HDR	R3PD	0.22	0	5	3	vacant
1	8915102	1408 W COLLEGE AVE	HE	MDR	R2	0.15	0	3	2	vacant
1	8915103	1404 W COLLEGE AVE	HE	MDR	R2	0.15	0	3	2	vacant
1	8916112	518 N T ST	HE	HDR	R3	0.32	0	5	5	entitled
1	8919101	537 N K ST	HE	HDR	R3	0.24	0	6	4	underutilized

**AMENDMENT NO. 1**

PROJECT	APN	Address	Available	GP	ZONING	ACRES	EXISTING	MAXIMUM	FORECAST	STATUS
1	8919102	531 N K ST	HE	HDR	R3	0.16	0	4	2	underutilized
1	8919107	512 N L ST	HE	HDR	R3	0.40	1	9	5	underutilized
1	8922204	403 N M ST	HE	HDR	R3	3.44	90	76	0	underutilized
1	8923112	419 W LAUREL AVE	HE	HDR	R3	0.26	1	6	3	underutilized
1	8923120	428 N L ST	HE	HDR	R3	0.16	1	4	1	underutilized
1	8923210	410 N K ST	HE	HDR	R3PD	0.24	1	5	4	entitled
1	8923306	423 N I ST	HE	HDR	R3	0.14	3	4	-1	underutilized
1	8923311	405 N I ST	HE	HDR	R3	0.14	1	4	1	underutilized
1	8923323	218 W MAPLE AVE	HE	HDR	R3	0.10	1	3	1	underutilized
1	8950001	1445 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950002	1441 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950003	1437 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950004	1433 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950005	1429 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950006	1359 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950007	1355 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950008	1351 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950009	1347 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950010	1343 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950011	1339 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950012	1335 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950013	1331 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950014	1327 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950015	1328 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950016	1332 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950017	1336 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950018	1340 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950019	1344 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950020	1348 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950021	1420 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950022	1424 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950023	1428 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950024	1432 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950025	1436 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950026	1440 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950027	1444 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950029	421 LAVENDER WAY	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950030	420 LAVENDER WAY	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950031	419 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950032	1301 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950033	1305 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950034	1309 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950035	1313 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950036	1317 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950037	1321 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950038	1403 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950039	1407 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950040	1411 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950041	1415 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950042	1419 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950043	1423 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950044	1427 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950045	1426 PLUM AVE	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950046	1422 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950047	1418 PLUM AVE	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950048	1414 PLUM AVE	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950049	1410 PLUM AVE	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950050	1406 PLUM AVE	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950051	1402 PLUM AVE	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950052	1320 PLUM AVE	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950053	1316 PLUM AVE	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950054	1312 PLUM AVE	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950055	1308 PLUM AVE	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950056	1304 PLUM AVE	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950057	1300 PLUM AVE	HE	MDR	R2PD	0.05	0	1	1	entitled

**AMENDMENT NO. 1**

PROJECT_	APN	Address	available	GP	ZONING	ACRES	EXISTING	MAXIMUM	FORECAST	STATUS
1	8950058	409 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950059	410 LAVENDER WAY	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950060	411 LAVENDER WAY	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950061	1425 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950062	1421 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950063	1417 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950064	1413 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950065	1409 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950066	1405 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950067	1401 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950068	1323 CROWN CIR	HE	MDR	R2PD	0.05	0	1	1	entitled
1	8950069	1319 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950070	1315 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950071	1311 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950072	1307 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	8950073	1303 CROWN CIR	HE	MDR	R2PD	0.06	0	1	1	entitled
1	9101315	319 N L ST	HE	HDR	R3	0.48	9	11	-2	underutilized
1	9102221	308 N K ST	HE	HDR	R3	0.16	1	4	1	underutilized
1	9105306	219 N L ST	HE	HDR	R3	0.40	2	9	4	underutilized
1	9105307	207 N L ST	HE	HDR	R3	0.48	1	11	6	underutilized
1	9105308	521 W WALNUT AVE	HE	HDR	R3	0.40	1	9	5	underutilized
1	9106108	211 N K ST	HE	HDR	R3	0.26	0	5	5	entitled
1	9106307	213 N I ST	HE	HDR	R3	0.16	1	4	1	underutilized
1	9106308	205 N I ST	HE	HDR	R3	0.40	1	9	5	underutilized
1	9107103	135 N N ST	HE	HDR	R3	0.24	0	6	4	vacant
1	9107104	125 N N ST	HE	HDR	R3	0.24	0	6	4	underutilized
1	9107203	133 1/2 N M ST	HE	HDR	R3	0.03	1	1	0	underutilized
1	9107216	118 N N ST	HE	HDR	R3	0.16	0	4	2	vacant
1	9107305	127 N L ST	HE	HDR	R3	0.12	2	3	0	underutilized
1	9107315	521 W OCEAN AVE	HE	HDR	R3	0.40	0	8	8	entitled
1	9108113	112 N L ST	HE	HDR	R3	0.24	1	6	3	underutilized
1	9108201	322 W WALNUT AVE	HE	HDR	R3	0.23	1	5	2	underutilized
1	9108212	112 N K ST	HE	HDR	R3	0.16	3	4	-1	underutilized
1	9108213	116 N K ST	HE	HDR	R3	0.16	1	4	1	underutilized
1	9108317	128 N J ST	HE	HDR	R3	0.16	1	4	1	underutilized
1	9109214	620 W OCEAN AVE	HE	HDR	R3	0.23	1	5	2	underutilized
1	9109310	126 S M ST	HE	HDR	R3	0.23	1	6	3	underutilized
1	9110109	125 S K ST	HE	HDR	R3	0.64	20	15	-10	underutilized
1	9111034	1220 W OCEAN AVE	HE	MDR	R2PD	1.81	0	27	18	vacant
1	9111035	1300 W OCEAN AVE	HE	MDR	R2PD	3.33	0	49	33	vacant
1	9111047	1038 W OCEAN AVE	HE	MDR	R2PD	1.36	0	13	13	entitled
1	9115216	212 S K ST	HE	HDR	R3	0.12	1	3	1	underutilized
						43.68	258	986	430	