NEW ISSUE – BOOK ENTRY ONLY

RATINGS:
S&P: "AAA" (Insured)/ "A-" (Underlying)
See "RATINGS" herein

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, but may be subject to the corporate alternative minimum tax because of the adjustments for current earnings of certain corporations. The interest on the Series 2003B Bonds is fully subject to federal income taxation. In the further opinion of Bond Counsel, interest with respect to the Bonds is exempt from California personal income taxes. Bond Counsel expresses no opinion regarding other federal or state tax consequences related to the accrual or receipt of interest with respect to the Bonds. See "TAX MATTERS" herein.

$45,915,000 ORANGE REDEVELOPMENT AGENCY Orange Merged and Amended Redevelopment Project Area 2003 Tax Allocation Refunding Bonds Series A

$11,170,000 ORANGE REDEVELOPMENT AGENCY Orange Merged and Amended Redevelopment Project Area 2003 Taxable Tax Allocation Refunding Bonds Series B

Dated: Date of Delivery

Due: September 1, as shown on the inside front cover

The Orange Redevelopment Agency (the "Agency") will issue its Orange Merged and Amended Redevelopment Project Area, 2003 Tax Allocation Refunding Bonds, Series A (the "Series 2003A Bonds") and its Orange Merged and Amended Redevelopment Project Area, 2003 Taxable Tax Allocation Refunding Bonds, Series B (the "Series 2003B Bonds," and together with the Series 2003A Bonds, the "Bonds") under a Trust Indenture, dated as of May 1, 1997, by and between the Agency and First Trust of California, National Association, as prior trustee, as amended and supplemented by a First Supplement to Indenture of Trust, dated as of September 1, 2003, by and between the Agency and U. S. Bank National Association, as Trustee for the Bonds (as so amended and supplemented, the "Indenture"). The Bonds are payable from and secured by certain tax increment revenues eligible for allocation to the Agency in connection with the Agency's Orange Merged and Amended Redevelopment Project Area (the "Merged Project") as provided for in the Redevelopment Plan (as defined herein) and certain funds and accounts held under the Indenture.

Proceeds of the Bonds will be used to (i) refund certain outstanding indebtedness of the Agency, (ii) provide continued availability of funds for redevelopment activities in the Merged Project, (iii) purchase two surety bonds for the reserve account, and (iv) pay costs incurred in connection with the issuance, sale and delivery of the Bonds.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchasers of the Bonds may be made in book-entry form only, in denominations of $5,000 each or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal of and interest on the Bonds will be paid directly to DTC by the Trustee. Principal of the Bonds is payable on the dates set forth on the inside cover page hereof. Interest on the Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2004. Upon its receipt of payments of principal and interest, DTC is in turn obligated to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the Bonds as described herein.

The Series 2003A Bonds are subject to optional redemption as described herein.

The Bonds are payable from and secured by Tax Revenues and are issued on a parity basis with certain other debt of the Agency. Subject to certain conditions, additional obligations on a parity basis with the Bonds may be incurred in the future by the Agency. See "SECURITY FOR THE BONDS" herein.

Scheduled payment of the principal of and interest on the Bonds will be insured by two financial guaranty insurance policies (one for the Series 2003A Bonds and one for the Series 2003B Bonds) to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds. See "BOND INSURANCE" herein.

MBIA

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY PAYABLE FROM AND SECURED BY A PLEDGE OF CERTAIN TAX INCREMENT REVENUES AND AMOUNTS HELD IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE BONDS ARE NOT A DEBT OF THE CITY OF ORANGE (THE "CITY"), THE STATE OF CALIFORNIA (THE "STATE"), 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, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE INDENTURE. NEITHER THE MEMBERS OF THE AGENCY NOR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY FOR THE BONDS. THE AGENCY HAS NO TAXING POWER. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

Pursuant to the terms of a public sale held on September 16, 2003, the Series 2003A Bonds were awarded to Citigroup Global Markets Inc., as the lead underwriter acting for itself, UBS Financial Services Inc. and RBC Dain Rauscher Inc., at the true interest cost of 4.384 percent, and the Series 2003B Bonds were awarded to Wachovia Bank, National Association, as underwriter for the Series 2003B Bonds, at the true interest cost of 3.809 percent.

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain legal matters will be passed on for the Agency by David A. De Berry, Esq., Agency General Counsel, and by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about September 24, 2003.

Dated: September 16, 2003

MATURITY SCHEDULE

SERIES 2003A BONDS

$45,915,000 Serial Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP* (684105)
2004	$395,000	2.000%	0.950%	100.975%	DG1
2005	405,000	2.000	1.150	101.622	DH9
2006	410,000	2.000	1.500	101.430	DJ5
2007	420,000	2.000	1.880	100.452	DK2
2008	430,000	2.500	2.250	101.161	DL0
2009	1,590,000	3.000	2.620	102.075	DM8
2010	1,635,000	3.000	3.000	100.000	DN6
2011	1,695,000	3.500	3.350	101.036	DP1
2012	2,195,000	3.500	3.530	99.770	DQ9
2013	2,275,000	3.625	3.720	99.215	DR7
2014	2,815,000	4.000	4.000	100.000	DS5
2015	2,925,000	4.000	4.050	99.528	DT3
2016	3,050,000	4.100	4.150	99.501	DU0
2017	3,180,000	4.250	4.300	99.477	DV8
2018	3,320,000	4.600	4.600	100.000	DW6
2019	3,480,000	4.625	4.640	99.829	DX4
2020	3,650,000	4.650	4.680	99.648	DY2
2021	3,825,000	4.700	4.720	99.756	DZ9
2022	4,010,000	4.750	4.760	99.873	EA3
2023	4,210,000	4.800	4.800	100.000	EB1

SERIES 2003B BONDS

$11,170,000 Serial Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP* (684105)
2004	$1,530,000	1.300%	1.300%	100%	EC9
2005	1,555,000	1.900	1.900	100	ED7
2006	1,590,000	2.550	2.550	100	EE5
2007	1,640,000	3.150	3.150	100	EF2
2008	1,700,000	3.650	3.650	100	EG0
2009	750,000	4.000	4.000	100	EH8
2010	780,000	4.300	4.300	100	EJ4
2011	815,000	4.600	4.600	100	EK1
2012	395,000	4.850	4.850	100	EL9
2013	415,000	5.000	5.000	100	EM7

No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any Bonds by any person in any jurisdiction in which such offer of solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matter of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," or other similar words and include, but are not limited to, statements under the caption "THE MERGED PROJECT – Projected Taxable Valuation and Tax Revenues; Debt Service Coverage."

The achievement of certain results or other expectations contained in such forward-looking statements involves 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. While the Agency has agreed to provide certain on-going financial and operating data for a limited period of time (see "CONTINUING DISCLOSURE"), the Agency does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based change.

The information set forth herein has been obtained from the City, the Agency and other sources that are believed to be reliable, but it is not guaranteed as to its accuracy or completeness. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the City since the date hereof. All summaries of the resolutions, the Indenture, laws and statutes or other documents are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exception from the registration requirements contained in such acts. The Bonds have not been registered or qualified under the securities laws of any state.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITERS MAY OFFER AND SELL BONDS TO CERTAIN DEALERS AND OTHERS AT A PRICE LOWER THAN THE OFFERING PRICE. THE OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE ORIGINAL PURCHASERS.

ORANGE REDEVELOPMENT AGENCY
ORANGE, CALIFORNIA

AGENCY MEMBERS AND CITY COUNCIL

Mark A. Murphy, *Chairman and Mayor*
Carolyn Cavecche, *Vice Chairman and Mayor Pro Tem*
Joanne Coontz, *Agency Member and Council Member*
Mike Alvarez, *Agency Member and Council Member*
Steven Ambriz, *Agency Member and Council Member*

AGENCY STAFF AND CITY STAFF

David L. Rudat, *Agency Executive Director and City Manager*
Cassandra Cathcart, *Agency Clerk and City Clerk*
Helen Walker, *City Treasurer*
Richard Jacobs, *Interim Agency Finance Officer and Interim City Finance Director*
Linda Boone, *Agency Assistant Executive Director and City Economic Development Director*
Rick Otto, *Senior Project Manager*
David A. De Berry, *Agency General Counsel and City Attorney*

SPECIAL SERVICES

Bond Counsel
Best Best & Krieger LLP
Riverside, California

Disclosure Counsel
Richards, Watson & Gershon, A Professional Corporation
Los Angeles, California

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

Escrow Agent
BNY Western Trust Company
Los Angeles, California

Financial Advisor to the Agency
Fieldman, Rolapp & Associates
Irvine, California

Fiscal Consultant
GRC Associates, Inc.
Brea, California

Verification Agent
Causey Demgen & Moore Inc.
Denver, Colorado

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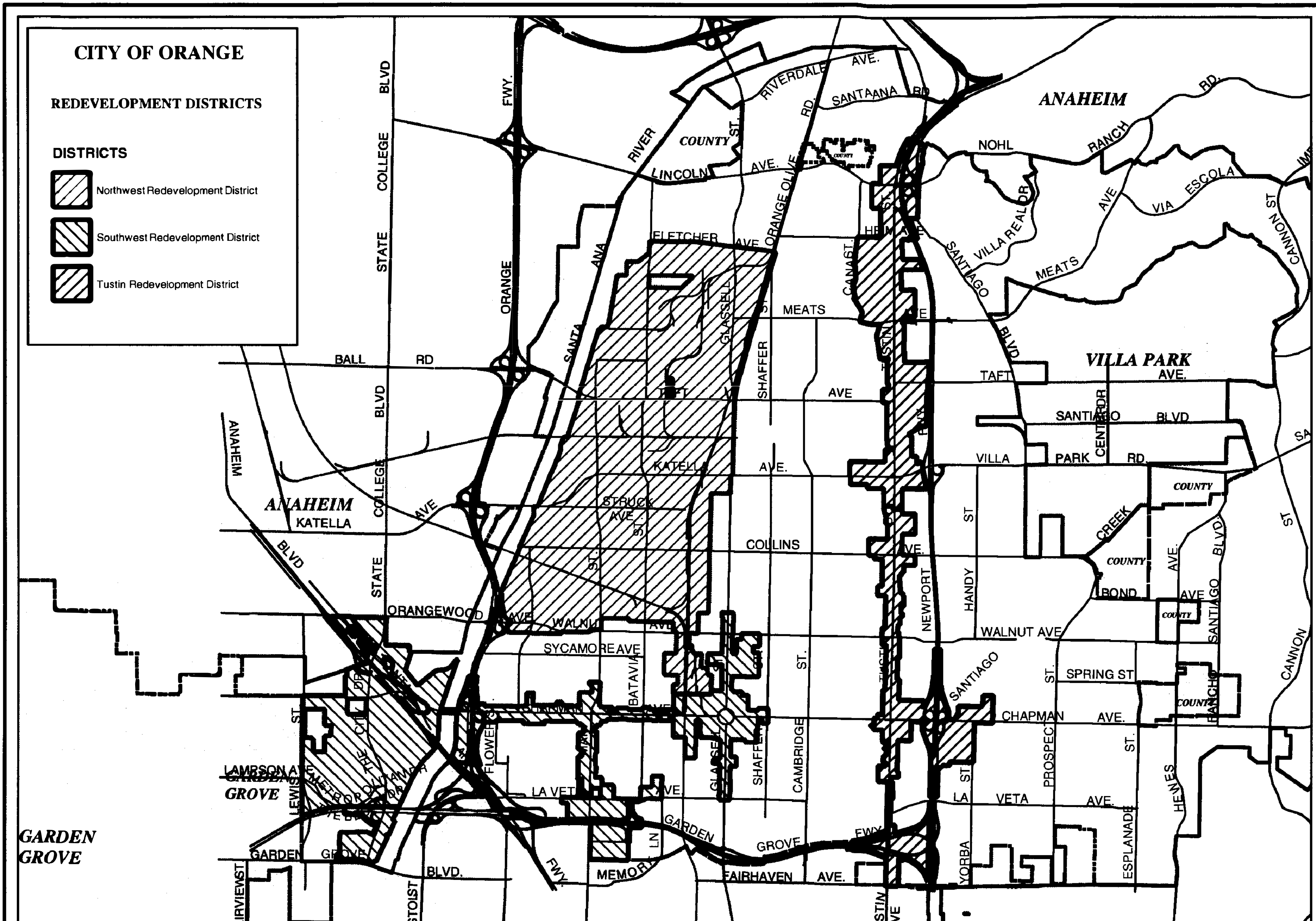

CITY OF ORANGE
300 E CHAPMAN AVE
ORANGE, CALIFORNIA 92866

4,000 2,000 0 4,000 Feet

Map prepared by :
Public Works G.I.S. Section

$45,915,000 ORANGE REDEVELOPMENT AGENCY Orange Merged and Amended Redevelopment Project Area 2003 Tax Allocation Refunding Bonds Series A	$11,170,000 ORANGE REDEVELOPMENT AGENCY Orange Merged and Amended Redevelopment Project Area 2003 Taxable Tax Allocation Refunding Bonds Series B

INTRODUCTION

This introduction does not purport to be complete, and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to the matter concerning the Bonds. Potential investors are encouraged to read the entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement.

General

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the sale by the Orange Redevelopment Agency (the "Agency") of $45,915,000 aggregate principal amount of its Orange Merged and Amended Redevelopment Project Area, 2003 Tax Allocation Refunding Bonds, Series A (the "Series 2003A Bonds") and $11,170,000 aggregate principal amount of its Orange Merged and Amended Redevelopment Project Area, 2003 Taxable Tax Allocation Refunding Bonds, Series B (the "Series 2003B Bonds," and together with the Series 2003A Bonds, the "Bonds").

The Bonds are being issued pursuant to (i) the Constitution and the laws of the State of California (the "State"), including the Community Redevelopment Law (codified in Part 1 of Division 24 of the California Health and Safety Code) (the "Redevelopment Law"), (ii) Resolution No. ORA-0428 of the Agency adopted on August 26, 2003 (the "Resolution"), and (iii) an Indenture, dated as of September 1, 1997 (the "Master Indenture"), by and between the Agency and First Trust of California, National Association, as the prior trustee, as amended and supplemented by a First Supplement to Indenture of Trust, dated as of September 1, 2003 (the "First Supplemental Indenture), by and between the Agency and U. S. Bank National Association, as the trustee for the Bonds (the "Trustee"). The Master Indenture, as amended and supplemented by the First Supplemental Indenture, will be referred to herein as the "Indenture."

Proceeds of the Bonds will be used to (i) refund certain prior obligations of the Agency, (ii) provide continued availability of funds for redevelopment activities in the Orange Merged and Amended Redevelopment Project Area (the "Merged Project"), (iii) purchase two surety bonds (the "Surety Bonds") for the reserve account, and (iv) pay costs incurred in connection with the issuance, sale and delivery of the Bonds, including the premium for two financial guaranty insurance policies (respectively, the "Series 2003A Insurance Policy" and the "Series 2003B Insurance Policy," and collectively, the "Bond Insurance Policies").

The Bonds are payable from and secured by Tax Revenues (defined below) allocable to the Agency from the Merged Project and certain funds and accounts established pursuant to the Indenture. The Bonds are issued on a parity basis with certain other bonds previously issued by the Agency. See "Security for the Bonds; Plan of Financing" below. Subject to certain conditions, additional obligations on a parity basis with the Bonds may be incurred in the future by the Agency. See "SECURITY FOR THE BONDS."

Scheduled payment of the principal of and interest on the Series 2003A Bonds and the Series 2003 Bonds, when due, will be insured, respectively, by the Series 2003A Insurance Policy and the Series 2003B Insurance Policy. The Bond Insurance Policies will be issued by MBIA Insurance Corporation ("MBIA" or the "Bond Insurer") simultaneously with the delivery of the Bonds. See "BOND INSURANCE" and "APPENDIX H – SPECIMEN OF BOND INSURANCE POLICY."

The Agency has awarded the Series 2003A Bonds to Citigroup Global Markets Inc. (acting for itself, UBS Financial Services Inc. and RBC Dain Rauscher Inc.), and the Series 2003B Bonds to Wachovia Bank, National Association, in a competitive sale held on September 16, 2003. Citigroup Global Markets Inc., UBS Financial Services Inc. and RBC Dain Rauscher Inc. will act as the original underwriters for the Series 2003A Bonds. Wachovia Bank, National Association, will act as the original underwriter for the Series 2003B Bonds. See "UNDERWRITING."

The City, the Agency and the Merged Project

The City of Orange (the "City") is located in Orange County (the "County"), California. Incorporated on April 6, 1888 as a general law city, the City encompasses an area of approximately 28 square miles. The City operates according to the Council/Manager form of government. The City Manager is appointed by the City Council to manage the City's staff and generally implement policies established by the City Council. See "APPENDIX A – SUPPLEMENTAL INFORMATION ON THE CITY OF ORANGE" for more general information about the City.

The Agency was established pursuant to the Redevelopment Law and was activated by the City Council on August 11, 1983, by the adoption of Ordinance No. 21-83. The five members of the City Council serve as the members of the governing body of the Agency, and exercise all rights, powers, duties and privileges of the Agency.

The Merged Project consists of three formerly independent redevelopment project areas: the Tustin Street Project Area, the Southwest Project Area and the Northwest Project Area. These three project areas were merged pursuant to an Amended and Restated Redevelopment Plan for the Orange Merged and Amended Redevelopment Project Area (the "Redevelopment Plan"), which was approved by the City Council by Ordinance No. 21-01 adopted on November 27, 2001. No new territory was added as the result of the merger or has been added since the merger. The Redevelopment Plan amended, restated and superseded in their entirety, the redevelopment plans previously in effect for the Tustin Street Project Area, the Southwest Project Area and the Northwest Project Area.

The Tustin Street Project Area was originally formed in 1983, upon City Council's approval of a redevelopment plan therefor (the "Tustin Street Original Redevelopment Plan") by Ordinance No. 49-83 adopted on December 6, 1983. Later, territories were added to the project area pursuant to an amendment (the "Tustin Street Amendment No. 1") to the Tustin Street Original Redevelopment Plan approved by the City Council by Ordinance No. 20-88 adopted on June 21, 1988. In 1994, such redevelopment plan was further amended to conform to the requirements of the California Redevelopment Law Reform Act of 1993 ("AB 1290"). Hereinafter, the original redevelopment project area designated by the Tustin Street Original Redevelopment Plan will be referred to as the "Tustin Street Original Area." The territories added to the Tustin Original Area pursuant to the Tustin Street Amendment No. 1 will be referred to as the "Tustin Street Amendment No. 1 Area." The term "Tustin Street Project Area" will refer to territories encompassing both the Tustin Street Original Area and the Tustin Street Amendment No. 1 Area.

The Southwest Project Area was originally formed in 1984, upon City Council's approval of a redevelopment plan therefor (the "Southwest Original Redevelopment Plan") by Ordinance No. 37-84 adopted on November 20, 1984. Later, territories were added to the project area pursuant to three separate amendments to the redevelopment plan (respectively, the "Southwest Amendment No. 1," the

"Southwest Amendment No. 2" and the "Southwest Amendment No. 3") approved by the City Council by Ordinance No. 20-86 adopted on July 15, 1986, Ordinance No. 24-88 adopted on July 5, 1988, and Ordinance No. 17-96 adopted on July 9, 1996. In addition, the redevelopment plan was amended in 1994 to conform to the requirements of AB 1290. Hereinafter, the original redevelopment project area designated by the Southwest Original Redevelopment Plan will be referred to as the "Southwest Original Area." The territories added to the Southwest Original Area pursuant to the Southwest Amendment No. 1, the Southwest Amendment No. 2 and the Southwest Amendment No. 3 will be referred to, respectively, as the "Southwest Amendment No. 1 Area," the "Southwest Amendment No. 2 Area" and the "Southwest Amendment No. 3 Area." The term "Southwest Project Area" will refer to territories encompassing the Southwest Original Area, the Southwest Amendment No. 1 Area, the Southwest Amendment No. 2 Area and the Southwest Amendment No. 3 Area.

The Northwest Project Area was formed in 1988, upon City Council's approval of a redevelopment plan therefor (the "Northwest Original Redevelopment Plan") by Ordinance No. 22-88 adopted on June 28, 1988. No territory was added to the Northwest Project Area prior to the merger. As with the redevelopment plans for the Tustin Street Project Area and the Southwest Project Area, the Northwest Original Redevelopment Plan was amended in 1994 to conform to the requirements of AB 1290.

The Merged Project consists of approximately 3,080.5 acres and includes commercial, industrial, office, retail, residential and public land uses. See "APPENDIX B – REPORT OF FISCAL CONSULTANT."

The Agency's audited financial statements for the fiscal year ended June 30, 2002, are included in "APPENDIX C" and should be read in their entirety. The Agency's financial statements were audited by the independent accounting firm of Conrad & Associates, L.L.P., Certified Public Accountants. The Agency's audited financial statements for the year ended June 30, 2002, and prior years are on file for public inspection with the Agency Clerk. Copies can also be obtained from the Agency's Finance Department, City of Orange, 300 East Chapman Avenue, Orange, California 92866.

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of tax increment revenues collected within a redevelopment project area. With limited exceptions, taxes collected upon any increase in assessed valuation of a taxable property 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. Subject to certain exceptions and prior claims on such tax increment revenues, the Agency has pledged the tax increment revenues with respect to the Merged Project to the payment of the principal of. premium (if any) and interest on the Bonds. See "SECURITY FOR THE BONDS."

Security for the Bonds; Plan of Financing

The Bonds are special obligations of the Agency payable solely from "Tax Revenues" (defined below) and other funds and accounts pledged therefor pursuant to the Indenture. Tax Revenues are defined generally as the taxes eligible for allocation to the Agency pursuant to the Redevelopment Law in connection with the Merged Project as provided in the Redevelopment Plan, including housing set-aside revenues to the extent that such revenues are permitted to pay debt service on the Bonds, but excluding amounts of such tax revenues payable to certain taxing agencies pursuant to tax sharing agreements and statutory "pass-through" payments and payments by the Agency pursuant to a certain disposition and development agreement. The Agency's receipt of Tax Revenues is subject to certain risks and limitations. See "SECURITY FOR THE BONDS," "THE MERGED PROJECT - Bonded Indebtedness and Certain Other Obligations," "– Tax Sharing Agreements," "– Section 33607.5 Pass-Through Payments," "BONDOWNERS' RISKS" and "LIMITATIONS ON TAX REVENUES."

A portion of the proceeds from the sale of the Bonds will be used to refund, on a current basis, four separate series of outstanding Agency bonds (collectively, the "Refunded Bonds") that were issued before the merger that created the Merged Project. The Refunded Bonds were issued under, respectively, an Indenture of Trust, dated as of April 1, 1993 (the "Southwest 1993 Indenture"), by and between the Agency and Meridian Trust Company of California, as predecessor trustee thereunder, and an Indenture of Trust, dated as of October 1, 1993 (the "Northwest 1993 Indenture"), by and between the Agency and Meridian Trust Company of California, as predecessor trustee thereunder. Upon the redemption and defeasance of the Refunded Bonds, the 1993 Southwest Indenture and the 1993 Northwest Indenture will be discharged. See "THE FINANCING PLAN."

The Agency also currently has outstanding its $3,280,000 aggregate principal amount Tustin Street Redevelopment Project, 1997 Tax Allocation Parity Bonds, Series A (the "Tustin Street 1997A Bonds") and its $6,500,000 aggregate principal amount Tustin Street Redevelopment Project, 1997 Taxable Tax Allocation Parity Bonds, Series B (the "Tustin Street 1997B Bonds," and together with the Tustin Street 1997A Bonds, the "Tustin Street 1997 Bonds"). The Tustin Street 1997 Bonds were issued under the Master Indenture and are secured and payable by Tax Revenues pursuant to the Indenture. The Bonds, once issued, will be secured and payable on parity basis with the Tustin Street 1997 Bonds.

Subject to certain conditions, additional obligations on a parity basis with the Bonds may be incurred in the future by the Agency. "SECURITY FOR THE BONDS – Issuance of Parity Bonds" and "APPENDIX E – SUMMARY OF INDENTURE."

Professionals Involved in the Offering

U. S. Bank National Association, Los Angeles, California, will act as Trustee with respect to the Bonds. BNY Western Trust Company, Los Angeles, California, will act as Escrow Agent with respect to the Refunded Bonds.

GRC Associates, Inc., Brea, California, has acted as Fiscal Consultant to the Agency and has prepared and issued its report dated August 18, 2003 (set forth in "APPENDIX B" hereto) on projected taxable values and anticipated tax increment revenues in the Merged Project.

Fieldman, Rolapp & Associates, Irvine, California, has served as Financial Advisor to the Agency in connection with the Bonds and has assisted the Agency in structuring the Bonds.

All proceedings in connection with the issuance of the Bonds are subject to the approval of Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain legal matters will be passed on for the Agency by David A. De Berry, Esq., Agency General Counsel, and by Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Disclosure Counsel. The fees and expenses of the Financial Advisor, Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Summaries of Documents

There follows in this Official Statement, descriptions of the Bonds, the Indenture, the Agency, the City, the Merged Project, the Redevelopment Law, and various agreements. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms not defined herein shall have the meanings set forth in the Indenture. Copies of the Indenture are available for inspection during business hours at the corporate trust office of the Trustee in Los Angeles, California.

Continuing Disclosure

The Agency has covenanted in a Continuing Disclosure Certificate to prepare and deliver an annual report to certain national and state repositories and to provide certain other information. See "CONTINUING DISCLOSURE" and "APPENDIX G – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Other Information

This Official Statement speaks only as of its date, as set forth on the cover hereof, and the information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Agency or the City or the Merged Project since the date hereof.

THE FINANCING PLAN

Use of Bond Proceeds

Proceeds from the sale of the Bonds, together with certain other available moneys, will be used to (i) refund certain prior obligations of the Agency, (ii) provide continued availability of funds for redevelopment activities in the Merged Project, (iii) purchase the Surety Bonds for the Reserve Account, and (iv) pay costs incurred in connection with the issuance, sale, and delivery of the Bonds, including premium for the Bond Insurance Policy.

Plan of Refunding

A portion of the proceeds from the sale of the Bonds, together with certain other available moneys, will be used to refund the Refunded Bonds on a current basis.

A portion of the proceeds from the sale of the Series 2003A Bonds will be used to refund the Agency's $32,750,000 currently outstanding principal amount Southwest Redevelopment Project Tax Allocation Refunding Bonds, Issue of 1993A (the "Southwest 1993A Bonds"), which were issued pursuant to the Southwest 1993 Indenture, and its $16,000,000 currently outstanding principal amount Northwest Redevelopment Project Tax Allocation Refunding Bonds, Issue of 1993B (the "Northwest 1993B Bonds," and collectively with the Southwest 1993A Bonds, the "Refunded Tax-exempt Bonds"), issued pursuant to the Northwest 1993 Indenture.

A portion of the proceeds from the sale of the Series 2003B Bonds will be used to refund the Agency's $5,715,000 currently outstanding principal amount Southwest Redevelopment Project Taxable Tax Allocation Refunding Bonds, Issue of 1993B (the "Southwest 1993B Bonds"), which were issued pursuant to the Southwest 1993 Indenture, and its $7,500,000 currently outstanding principal amount Northwest Redevelopment Project Taxable Tax Allocation Refunding Bonds, Issue of 1993A (the "Northwest 1993A Bonds," and together with the "Southwest 1993B Bonds," the "Refunded Taxable Bonds"), which were issued pursuant to the Northwest 1993 Indenture.

Concurrently with the issuance of the Bonds, the Agency will enter into an escrow agreement (the "Escrow Agreement") for the refunding of Refunded Bonds. Moneys deposited under the Escrow Agreement will be held uninvested and will be in an amount verified by Causey Demgen & Moore Inc. (the "Verification Agent") to be sufficient to pay the principal of and interest on the Refunded Bonds scheduled to become due and payable on October 1, 2003, and to pay redemption prices (including principal and applicable redemption premium), together with accrued interest, on the remaining Refunded Bonds that will all be redeemed by the Agency on October 1, 2003. As a result of the deposit and application of funds as provided in the Escrow Agreement, the liens under the Refunded Bonds, assuming the accuracy of the verified computations, will be discharged.

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SOURCES AND USES OF FUNDS

The following tables show the estimated sources and uses of the proceeds from the sale of the Bonds and certain other moneys:

Series 2003A Bonds

Sources:	
Par amount of the Series 2003A Bonds	$45,915,000.00
Less: Original issue discount	28,061.90
Less: Underwriters' discount	192,383.85
Plus: Refunded Tax-Exempt Bonds funds and accounts	6,379,471.74
Plus: Transfer by Agency	1,220,918.38
Total Sources	$53,294,944.37
Uses:	
Escrow account for Southwest 1993A Bonds	$34,174,625.00
Escrow account for Northwest 1993B Bonds	16,776,000.00
Redevelopment Fund	1,220,918.38
Costs of issuance (1)	1,123,400.99
Total Uses	$53,294,944.37

Series 2003B Bonds

Sources:	
Par Amount of the Series 2003B Bonds	$11,170,000.00
Less: Underwriter's discount	50,265.00
Plus: Refunded Taxable Bonds funds and accounts	3,008,790.50
Plus: Transfer by Agency	1,854,091.14
Total Sources	$15,982,616.64
Uses:	
Escrow account for Southwest 1993B Bonds	$5,995,706.25
Escrow account for Northwest 1993A Bonds	7,903,600.00
Redevelopment Fund	1,854,091.14
Costs of issuance (1)	229,219.25
Total Uses	$15,982,616.64

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(1) Costs of Issuance include Bond Counsel, Disclosure Counsel, Financial Advisor, Fiscal Consultant, Verification Agent, Trustee and Escrow Agent fees and expenses, rating agency fees, bond insurance and surety bond premium, printing expenses and other costs.

ANNUAL DEBT SERVICE

The following table shows the scheduled annual debt service for the Bonds.

Fiscal Year Ending June 30	Series 2003A Principal	Series 2003A Interest	Series 2003B Principal	Series 2003B Interest	Total Annual Debt Service
2004		$ 830,461.86		$150,295.88	$ 980,757.74
2005	$ 395,000	1,900,293.76	$ 1,530,000	334,682.50	4,159,976.26
2006	405,000	1,892,293.76	1,555,000	309,965.00	4,162,258.76
2007	410,000	1,884,143.76	1,590,000	274,920.00	4,159,063.76
2008	420,000	1,875,843.76	1,640,000	228,817.50	4,164,661.26
2009	430,000	1,866,268.76	1,700,000	171,962.50	4,168,231.26
2010	1,590,000	1,837,043.76	750,000	125,937.50	4,302,981.26
2011	1,635,000	1,788,668.76	780,000	94,167.50	4,297,836.26
2012	1,695,000	1,734,481.26	815,000	58,652.50	4,303,133.76
2013	2,195,000	1,666,406.26	395,000	30,328.75	4,286,735.01
2014	2,275,000	1,586,759.38	415,000	10,375.00	4,287,134.38
2015	2,815,000	1,489,225.00			4,304,225.00
2016	2,925,000	1,374,425.00			4,299,425.00
2017	3,050,000	1,253,400.00			4,303,400.00
2018	3,180,000	1,123,300.00			4,303,300.00
2019	3,320,000	979,365.00			4,299,365.00
2020	3,480,000	822,530.00			4,302,530.00
2021	3,650,000	657,192.50			4,307,192.50
2022	3,825,000	482,442.50			4,307,442.50
2023	4,010,000	297,317.50			4,307,317.50
2024	4,210,000	101,040.00			4,311,040.00
Total	$45,915,000	$27,442,902.58	$11,170,000	$1,790,104.63	$86,318,007.21

THE BONDS

General

The Bonds are being issued pursuant to the Constitution and laws of the State and under authority granted to the Agency by the Redevelopment Law constituting Part 1 of Division 24 of the California Heath and Safety Code, as amended, the Resolution and the Indenture.

The Bonds are special obligations of the Agency and as such are not a debt of the City, the State, or any of their political subdivisions (other than the Agency), and none of the City, the State or any of their political subdivisions (other than the Agency) is liable for the payment thereof. In no event shall the Bonds be payable out of any funds or properties other than those of the Agency as set forth in the Indenture. The Bonds do not constitute an indebtedness in contravention of any constitutional or statutory debt limit or restriction. For a discussion of some of the risks associated with the purchase of the Bonds, see "BONDOWNERS' RISKS." The Agency has no taxing powers.

The Bonds will be issued in authorized denominations of $5,000 each or integral multiples thereof and will be dated their date of delivery. The Bonds mature on the respective dates and bear interest at the respective rates per annum set forth on the inside cover page hereof. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and payable on March 1 and September 1 of each year, commencing March 1, 2004 (each an "Interest Payment Date"), until maturity or earlier redemption thereof.

Redemption

Optional Redemption. The Series 2003A Bonds maturing on or before September 1, 2013 are not subject to optional redemption prior to maturity. The Series 2003A Bonds maturing on or after September 1, 2014 will be subject to redemption at the option of the Agency on any date on or after September 1, 2013, as a whole or in part, among maturities as shall be determined by the Agency, and by lot within each maturity (each Series 2003A Bond being deemed to be composed of $5,000 portions with each such portion being separately redeemable), from funds derived by the Agency from any source. The Series 2003A Bonds so called for redemption will be redeemed at the following redemption price (expressed as a percentage of the principal amount of the Series 2003A Bonds to be redeemed), together with accrued interest to the date of redemption:

Redemption Dates	Redemption Price
September 1, 2013 and thereafter	100.0%

The Series 2003B Bonds are not subject to optional redemption prior to their maturity.

Notice of Redemption. As provided in the Indenture, notice of redemption will be mailed by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to each of the registered owners of the Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee. Such notice shall also be given by first class mail, postage prepaid, confirmed facsimile transmission, or overnight delivery service, to each of the Securities Depositories named in the Indenture and to one or more of the Information Services named in the Indenture. Neither failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for the redemption of any Bonds or the cessation of interest thereon on the redemption date.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for less than all of the Bonds of any series or maturity thereof to be redeemed, the Trustee will select the Bonds to be redeemed from all Bonds not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate under the circumstances. For purposes of such selection, all Bonds will be deemed to be comprised of separate $5,000 portions and such portions will be treated as separate bonds which may be separately redeemed.

Effect of Redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice the Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such Bonds will cease to accrue, and the owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Purchase in Lieu of Redemption. In lieu of redemption, the Agency is authorized to purchase Bonds on the open market at any time at a price (inclusive of brokerage fees) not to exceed the par amount of the Bonds so purchased, plus any applicable premium.

Book-Entry Only System

The Bonds will be issued as one fully registered bond without coupons for each maturity of each series and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (the "DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. So long as DTC's book-entry system is in effect with respect to the Bonds, notices to Owners of the Bonds by the Agency or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Bonds, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM."

In the event that such book-entry system is discontinued with respect to the Bonds, the Agency will execute and deliver replacements in the form of registered certificates and, thereafter, the Bonds will be transferable and exchangeable on the terms and conditions provided in the Indenture. In addition, the following provisions would then apply: The principal of, and redemption premium, if any, on the Bonds will be payable on the surrender thereof at maturity or the redemption date, as applicable, at the corporate trust office of the Trustee in Los Angeles, California. The interest on the Bonds will be payable by check mailed on each Interest Payment Date to the registered owners thereof as shown on the registration books of the Trustee as of the close of business on the Record Date immediately prior to such Interest Payment Date; provided, that a registered owner of 1,000,000 or more in aggregate principal amount of Bonds of a series may specify in writing prior to the Record Date that the interest payment be made by wire transfer.

SECURITY FOR THE BONDS

Tax Allocation Financing Generally

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of tax increment revenues collected within a project area. Once the taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established, 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. With certain limited exceptions, taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged to the repayment of bonds issued by the redevelopment agency. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of tax increment revenues produced as indicated above.

Allocation of Taxes

As provided in the Redevelopment Plan, and pursuant to Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Merged Project (or applicable portions thereof) each year by or for the benefit of the State of California, any city, county, city and county, district or other public corporation (the "taxing agencies") for fiscal years beginning after the effective date of the Merged Project (or applicable portions thereof) are divided as follows:

(a) The portion equal to the amount of taxes produced by the then current tax rate applied to the assessed valuation of such property in the Merged Project (or applicable portion thereof) as shown on the applicable base year assessment roll as last equalized prior to the establishment of the Merged Project (or applicable portion thereof) shall be, when collected, paid into the funds of those respective taxing agencies;

(b) Except for taxes which are attributable to a tax levy by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated (and when collected shall be paid) to the respective taxing agency, that portion of levied taxes each year in excess of such amount (including, to the extent permitted by law, all payments and reimbursements, if any, to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations) will be paid to the Agency to pay the principal of and interest on loans to, money advanced to, or indebtedness incurred by the Agency to finance redevelopment projects.

Revenues generated as set forth above and allocated to the Agency are generally referred to as tax increment revenues. Tax Revenues (as defined below) that secure the Bonds, the Tustin Street 1997 Bonds and any additional parity bonds to be issued under the Indenture (collectively, "Parity Obligations") are a portion of such tax increment revenues. Tax Revenues are generally those tax increment revenues (including housing set-aside revenues to the extent that such revenues are permitted to pay debt service on the Bonds (see "LIMITATIONS ON TAX REVENUES – Housing Set-Aside")) received by the Agency within limitations upon the Redevelopment Plan ("Plan Limitations," as described below), and remaining after deductions for (i) payments to taxing entities pursuant to "Tax Sharing Agreements" (see "THE MERGED PROJECT – Tax Sharing Agreements") or Section 33607.5 of the Redevelopment Law (see "THE MERGED PROJECT – Section 33607.5 Pass-Through Payments") to the extent that such Tax Sharing Agreements or such statutory "pass-through" payments create a prior, unsubordinated lien on tax increment revenues, and (ii) certain annual payments under a disposition and development agreement with Home Depot U.S.A., Inc. entered into by the Agency in 1991, as amended (see "THE MERGED PROJECT – Bonded Indebtedness and Certain Other Obligations").

As used herein, the term "Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from tax increment revenues which may be outstanding at any time, (b) the aggregate amount of taxes which may be allocated to the Agency pursuant to the Redevelopment Plan, (c) the period of time for establishing or incurring indebtedness payable from tax increment revenues, (d) the period of time for receiving tax increment revenues to repay indebtedness and (e) the period of time for the duration and effectiveness of the Redevelopment Plan, in each case established pursuant to Section 33333.2, 33333.4 or 33333.6 of the Redevelopment Law. See "LIMITATIONS ON TAX REVENUES – Plan Limitations."

Pursuant to the provisions of the Indenture, the Agency has pledged that portion of the tax increment revenues that constitute the Tax Revenues. Except as provided in the Indenture, the Bonds, the Tustin Street 1997 Bonds and any other Parity Obligations are equally secured by a first pledge of and lien on all of the Tax Revenues and a first and exclusive pledge of and lien upon all of the moneys in certain funds and accounts created pursuant to the Indenture, including all amounts derived from the investment of such moneys, subject to application in accordance with the Indenture, without preference or priority for series, issue, number, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Agency are pledged to, or otherwise liable for, the payment of principal of or interest on the Bonds.

"Tax Revenues" are defined in the Indenture to mean, all taxes annually allocated to the Agency with respect to the Merged Project following the Closing Date (with respect to the Bonds or the Parity Obligations, as applicable) 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 (a) 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 and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, to the extent permitted to be applied to the payment of principal, interest and premium (if any) with respect to the Bonds; but excluding (i) all amounts of such taxes required to be paid by the Agency to other taxing agencies pursuant to pass-through agreements or similar tax sharing agreements (other than any agreement expressly made subordinate to bonded indebtedness of the Agency) entered into pursuant to Section 33401 of the Redevelopment Law existing on such Closing Date, (ii) amounts payable to taxing agencies pursuant to Section 33607.5 of the Redevelopment Law, except to the extent such payments are subordinated pursuant to subsection (e) of such Section 33607.5, and (iii) amounts required to be paid by the Agency pursuant to the Disposition and Development Agreement with Home Depot U.S.A. Inc., dated June 24, 1991, as amended.

In consideration of the acceptance of the Bonds by those who hold the same from time to time, the Indenture is deemed to be and constitutes 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 other Bonds, or of the Bonds over any other Parity Obligations, 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.

Limited Liability

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY AND AS SUCH ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) AND NONE OF THE CITY, THE STATE, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) IS LIABLE FOR THE PAYMENT THEREOF. IN NO EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY SET FORTH IN THE INDENTURE.

Any future decrease in the taxable valuation of property in the Merged Project or in the applicable tax rates relating thereto will reduce the tax increment revenues allocated to the Agency from the Merged Project and correspondingly will have an adverse impact on the ability of the Agency to pay the principal of and interest on the Bonds. Except for the Tax Revenues and the amounts held in trust under the Indenture, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the Bonds. The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measures, voter initiative or provisions or additional sources of income to taxing agencies having the effect of reducing the property tax 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 "BONDOWNERS' RISKS."

Application of Tax Revenues

The Indenture provides that the Agency will deposit all of the Tax Revenues received in any Bond Year in the Special Fund to be held by the Trustee; provided, that any Tax Revenues received following deposit in the Special Fund in excess of the aggregate amount required to be transferred to the various accounts pursuant to the Indenture to pay debt service on the Bonds and other Parity Obligations, plus the amount, if any, necessary to restore the balance in the Reserve Account to the Reserve Requirement during such Bond Year will be released from the pledge and lien under the Indenture and may be used for any lawful purpose of the Agency.

At least one Business Day before each Interest Payment Date, the Trustee shall transfer from the Special Fund and set aside in the following respective accounts in the amounts and at the times specified in the Indenture in the following order of priority:

(a) Interest Account,

(b) Principal Account (if such Interest Payment Date is also a Principal Payment Date), and

(c) Reserve Account.

All money in each of such accounts will be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

See "APPENDIX E – SUMMARY OF INDENTURE – Special Fund; Deposit of Tax Revenues."

Reserve Account

Concurrently with the issuance of the Bonds, MBIA will issue and deliver the Surety Bonds to the Trustee for deposit in the Reserve Account. One Surety Bond will expire on the final maturity date of the Series 2003A Bonds and the other Surety Bond will expire on the final maturity date of the Series 2003B Bonds. The Surety Bonds, together with moneys already on deposit in the Reserve Account, will satisfy the Reserve Requirement. See "APPENDIX I – SPECIMEN OF DEBT SERVICE RESERVE SURETY BOND."

"Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (i) 10 percent of the initial outstanding principal amounts of the Bonds and all other Parity Obligations issued pursuant to the Indenture (excluding from said principal amount in the case of any Escrowed Bonds (defined below) an amount equal to the amount then on deposit in any escrow fund created pursuant to the Indenture); (ii) Maximum Annual Debt Service on all Outstanding Parity Obligations; or (iii) 125 percent of average Annual Debt Service on all Parity Obligations.

Pursuant to the Indenture, the Reserve Requirement may be satisfied by crediting to the Reserve Account moneys, a letter of credit, a bond insurance policy, any other comparable credit facility, such as the Surety Bonds, or any combination thereof, which has been approved in writing by the Bond Insurer and which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Requirement. Upon the deposit with the Trustee of such letter of credit, bond insurance policy or other comparable credit facility, the Trustee will transfer excess moneys then on hand in the Reserve Account to the Agency to be applied for lawful redevelopment purposes. To the extent the Reserve Account includes both cash and the Surety Bonds, no draw against the Surety Bonds is permitted until all cash in the Reserve Account has been depleted. See "APPENDIX I – SPECIMEN OF DEBT SERVICE RESERVE SURETY BOND."

At least one Business Day before each Interest Payment Date and after the required deposits to the Principal Account and Interest Account have been made, the Trustee will withdraw from the Special Fund and deposit in the Reserve Account an amount of money (or other authorized deposit of security, as described in the following paragraph), if any, equal to the Reserve Requirement. However, no deposit need be made in the Reserve Account so long as there is on deposit therein an amount equal to the Reserve Requirement. All money in (or available to) the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of, or redemption premiums, if any, in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Parity Obligations then Outstanding, except that for 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 transferred to the Special Fund. See "APPENDIX E – SUMMARY OF INDENTURE – Special Fund; Deposit of Tax Revenues – Reserve Account."

Issuance of Parity Bonds

The Agency may at any time after the issuance and delivery of the Bonds under the Indenture issue additional Parity Obligations ("Parity Bonds") payable from the Tax Revenues and secured by a lien and charge upon the Tax Revenues equal to and on a parity with the lien and charge securing the Outstanding Bonds theretofore issued under the Indenture, but only subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

(a) No Event of Default shall have occurred and then be continuing;

(b) A Tax Revenue Certificate shall be delivered to the Trustee stating that Tax Revenues to be received by the Agency in the current Fiscal Year, based upon the most recent assessed valuation of taxable property in the Merged Project and as shown on the records of the County and assuming a property tax rate of 1 percent, plus, at the option of the Agency, the Additional Allowance if any Additional Allowance is identified in a Report of Independent Financial Consultant delivered to the Trustee, is at least equal to (i) 125 percent of Maximum Annual Debt Service on all Parity Obligations which will be Outstanding following the issuance of such Parity Bonds, and taking into account the full impact of any pass-through agreements or other similar tax sharing arrangements assuming no growth in assessed valuation, and (ii) 100 percent of Maximum Annual Debt Service on all Parity Obligations which will be Outstanding following the issuance of such Parity Bonds, assuming a drop in total assessed value of property in the Merged Project of 15 percent;

(c) The Agency shall certify to the Trustee that the aggregate amount of the principal of and interest on all Outstanding Parity Obligations coming due and payable following the issuance of such Parity Bonds shall not exceed the maximum amount of Tax Revenues permitted under the Redevelopment Plan to be allocated and paid to the Agency following the issuance of such Parity Bonds;

(d) The Supplemental Indenture authorizing the issuance of Parity Bonds shall provide that (i) interest on such Parity Bonds shall be calculated at a fixed interest rate if the Agency determines in such Supplemental Indenture that it is to be paid on a current basis, shall be payable on March 1 and September 1 in each year of the term of such Parity Bonds except the first twelve-month period during which interest may be payable on any March 1 or September 1, and (ii) the principal of such Parity Bonds shall be payable on September 1 in any year, as determined by the Agency, in which principal is payable;

(f) Money shall be deposited in the Reserve Account (or a reserve fund letter of credit, bank insurance policy or other comparable credit facility provided) in an amount equal to the Reserve Requirement; and

(g) The Agency shall deliver to the Trustee a certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Bonds set forth in the Indenture have been satisfied and that the deposit into the Reserve Account as set forth above has been made.

For the purposes of calculating the coverage requirements set forth in paragraph (b) above with respect to the issuance of Parity Bonds, Parity Obligations shall not include a principal amount of such Parity Bonds, determined on such basis among maturities as the Agency may determine, equal to the proceeds of such Parity Bonds to be deposited in an escrow fund established for such Parity Bonds (the "Escrowed Bonds"), provided that the Supplemental Indenture authorizing the issuance of such Parity Bonds shall provide that:

(1) Such proceeds shall be invested in Permitted Investments, and an amount equal to the difference between the projected interest earnings on such proceeds and the interest due on the Escrowed Bonds shall be deposited in the Interest Account so as to pay interest on the Escrowed Bonds as it becomes due and payable;

(2) Moneys may be transferred from the escrow fund established for the Escrowed Bonds only if a Tax Revenue Certificate establishes that the amount of Tax Revenues and Additional Allowance, if any Additional Allowance is identified in a Report of an Independent Financial Consultant, based on the most recent assessed valuation of taxable property in the Merged Project as shown on the records of the County and assuming a property tax rate of one percent, for the next Fiscal Year after the proposed transfer date of such Parity Bonds at least equals 125 percent of the Maximum Annual Debt Service on all Outstanding Parity Obligations;

(3) Such Parity Bonds shall be redeemed from moneys remaining on deposit in the escrow fund established for the Escrowed Bonds at the expiration of a specified escrow period in such manner as may be determined by the Agency in the Supplemental Indenture.

Issuance of Subordinate Debt

The Agency may at any time incur debt, in the form of tax allocation bonds or otherwise, secured by a subordinate pledge of Tax Revenues, so long such issuance will not cause the Agency to exceed any tax increment limit applicable to it under the Redevelopment Plan or the Law. See "LIMITATIONS ON TAX REVENUES -- Plan Limitations."

BOND INSURANCE

The following information has been furnished by MBIA for use in this Official Statement. Such information has not been independently confirmed or verified by the Agency. The Agency makes no representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. Reference is made to Appendix H for a specimen of the Bond Insurance Policies.

The MBIA Insurance Corporation Insurance Policies

The Bond Insurance Policies unconditionally and irrevocably guarantee the full and complete payment required to be made by or on behalf of the Agency to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the

Bond Insurance Policies shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

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

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

MBIA

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

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

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2002;

(2) The Company's Quarterly Report on Form 10-Q for quarter ended March 31, 2003; and

(3) The Company's Quarterly Report on Form 10-Q for quarter ended June 30, 2003.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003), are available (i) over the Internet at the SEC's web site at *http://www.sec.gov*; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at *http://www.mbia.com*; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, MBIA had admitted assets of $9.2 billion (audited), total liabilities of $6.0 billion (audited), and total capital and surplus of $3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2003, MBIA had admitted assets of $9.5 billion (unaudited), total liabilities of $6.1 billion (unaudited), and total capital and surplus of $3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

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

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

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

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

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

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

THE AGENCY

Agency Members

The Agency was activated on August 11, 1983, by Ordinance No. 21-83 of the City Council pursuant to the Redevelopment Law. The five members of the City Council serve as members of the governing body of the Agency, and exercise all rights, powers, duties and privileges of the Agency. The elected Mayor is also Chairman of the Agency. Current members of the governing body of the Agency are as follows:

Name and Office	Term Expires
Mark A. Murphy, *Chairman and Mayor*	November 2004
Carolyn Cavecche, *Vice Chairman and Mayor Pro Tem*	November 2006
Joanne Coontz, *Agency Member and Council Member*	November 2004
Mike Alvarez, *Agency Member and Council Member*	November 2004
Steve Ambriz, *Agency Member and Council Member*	November 2006

Agency Administration

The City has agreed to provide the Agency with staff, office space and supplies and the Agency has agreed to reimburse the City for such services, supplies and equipment. The Agency and the City adopt an annual administrative budget delineating the costs of such services. The Agency reimburses the City out of available tax increment revenues. Such reimbursement is subordinate to any outstanding bonded indebtedness of the Agency including the Bonds.

The City is a general law city and operates according to the Council/Manager form of government. The City Manager is appointed by the City Council to manage the City's staff and generally implement policies established by the City Council. Current staff assigned to administer the Agency activities include:

David L. Rudat, *Executive Director of the Agency and City Manager for the City*, has served in those capacities since September 1995. Under direction and control of the City Council, the City Manager is the head of the City government. Mr. Rudat is responsible for the efficient administration of all affairs of the City, including enforcement of all laws of the State and City ordinances. Prior to his tenure as City Manager and Agency Executive Director, he rose through the ranks of the Fire Department of the City during a 23 year career to become Fire Chief, a position in which he served for two years before being appointed to his current posts. Mr. Rudat holds a Master's Degree in Public Administration from the University of Southern California.

Linda Boone, *Assistant Executive Director of the Agency* and *Economic Development Director for the City*, has served since 1995. Ms. Boone is responsible for the management and oversight of the Agency's economic development and housing activities. During her tenure, the Agency has been involved in several key redevelopment projects including The Block at Orange and the Village at Orange shopping centers and the Ford of Orange auto dealership. Ms. Boone has been in the economic development field for 27 years. Prior to coming to work for the City, Ms. Boone owned and managed several private companies, worked for three governmental agencies, and served as the Executive Director for a nonprofit corporation. Ms. Boone holds a Bachelor's Degree from the University of Kentucky and a Master's Degree from the University of Colorado.

Richard Jacobs, recently appointed *Interim Finance Officer of the Agency and Interim Finance Director of the City*, has served as Assistant Finance Director for the City since July 2000. Mr. Jacobs is responsible for the management and oversight of the City's and Agency's financial resources, which include $250 million in total assets and more than $140 million in annual revenues. Mr. Jacobs has over 17 years of governmental accounting experience holding the positions of Accounting Supervisor, Accounting Manager, Finance Manager and Assistant Finance Director with two southern California cities. Mr. Jacobs holds a Bachelor's Degree in Accounting from Northern Illinois University and a Master's Degree in Business Administration from Lewis University.

Rick Otto, *Senior Project Manager for the Agency*, has served in his current post since May 2001. Mr. Otto has been with the City since 1997. He is responsible for the development of economic development and housing projects as well as the management of the Agency's budget. Prior to his tenure with the Agency, Mr. Otto was the Senior Assistant to the City Manager of the City, and was responsible for the preparation of the City's annual budget. Mr. Otto has over 14 years of experience in local government, having served in a variety of other positions including Assistant to City Manager/Personnel Manager for the City of Rancho Palos Verdes and Financial Analyst for the City of Temple City. Mr. Otto holds Bachelor's and Master's Degrees in Public Policy and Administration from California State University, Long Beach.

Agency Powers

All powers of the Agency are vested in its members. Pursuant to the Redevelopment Law, the Agency is a separate public body and exercises governmental functions, including planning and implementing redevelopment projects.

The Agency may exercise the right to issue bonds for authorized purposes and to expend their proceeds, and the right to acquire, sell, rehabilitate, develop, administer or lease property. The Agency may demolish buildings, clear land and cause to be constructed certain improvements, including streets, sidewalks, and utilities, and can further prepare for use as a building site any real property which it owns or administers.

The Agency may, from any funds made available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities or other improvements to be publicly owned, provided that such improvements are expressly found to be of benefit to a redevelopment project and cannot be financed by any other reasonable method. The Agency may not construct or develop buildings, with the exception of public buildings and housing, and generally must sell or lease cleared property which it acquires within a redevelopment project for redevelopment in conformity with a particular redevelopment plan, and may further specify a period within which such redevelopment must begin and be completed.

Factors Affecting Redevelopment Agencies Generally

Other features of the Redevelopment Law that bear on redevelopment agencies include general provisions which require public agencies to award contracts for construction only after competitive bidding. The Redevelopment Law provides that construction in excess of a minimum amount undertaken by the Agency shall be done only after competitive bidding. California statutes also provide for offenses punishable as felonies that involve direct or indirect interest of a public official in a contract made by such official in his official capacity. In addition, the Redevelopment Law generally prohibits any Agency or City official or employee who, in the course of his duties, is required to participate in the formulation or approval of plans or policies, from acquiring any interest in property in the Merged Project.

Under a State initiative enacted in 1974, public officials are required to make extensive disclosures regarding their financial interests by filing such disclosures as public records. As of the date of this Official Statement, the members of the City Council and the Agency, and other City and Agency officials have made the required filings. California also has strict laws regarding public meetings (known as the Ralph M. Brown Act) that make all Agency and City meetings open to the public, with certain exceptions not applicable here.

Redevelopment agencies are required to file a statement of indebtedness with the county auditor-controller not later than the first day of October, stating the amount of indebtedness of the Agency for that fiscal year. See "Financial Statements; Agency Budget; Statement of Indebtedness" below.

Project Areas

After the merger of the Tustin Street Project Area, the Southwest Project Area and the Northwest Project Area, the Merged Project has become the sole designated redevelopment project area within the City.

Financial Statements; Agency Budget; Statement of Indebtedness

Included in this Official Statement as "APPENDIX C" are the audited financial statements of the Agency for the year ended June 30, 2002, reproduced from the report thereon rendered by Conrad & Associates, L.L.P., Certified Public Accountants, independent accountants for the Agency. Prior years audited financial statements can be obtained from the Agency by contacting the Agency Clerk or the Agency's Finance Department, City of Orange, 300 East Chapman Avenue, Orange, California 92866.

The Agency Board has adopted Resolution No. ORA-0425 on June 10, 2003, approving the fiscal year 2003-2004 Agency budget.

Pursuant to Section 33675 of the Redevelopment Law, the Agency must file, not later than the first day of October of each year with the county auditor, a statement of indebtedness certified by the chief financial officer of the Agency for each redevelopment project for which the redevelopment plan provides for the division of taxes pursuant to Section 33670 of the Redevelopment Law. The Agency has made such a filing for fiscal year 2002-03, and has met all previous requirements with respect to the filing of its statement of indebtedness pursuant to Section 33675. See "LIMITATIONS ON TAX REVENUES – Certification of Agency Indebtedness."

Regulatory Issues

The Agency is in material compliance with the provisions of the California Environmental Quality Act, constituting Division 13 (commencing with Section 21000) of the California Public Resources Code, with respect to the Merged Project.

THE MERGED PROJECT

Redevelopment Plan

Under the Redevelopment Law, the city council of a city that activates the redevelopment agency is required to adopt, by ordinance, a redevelopment plan for each redevelopment project specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law rather than a "plan" in the customary sense of the word.

The Redevelopment Plan was adopted on November 27, 2001 by Ordinance No. 21-01, and it amended, restated and superseded, in their entirety, the redevelopment plans previously in effect for the Tustin Street Project Area, the Southwest Project Area and the Northwest Project Area. No new territory was added as the result of the merger and no new territory has been added since the merger.

The overall objective of the Redevelopment Plan is to eliminate blighted conditions in the Merged Project by undertaking all appropriate projects pursuant to the Redevelopment Law. The general objective is to encourage investment in the Redevelopment Project by the private sector, to eliminate blighted conditions and to upgrade the quality of the community. The Redevelopment Plan provides for the acquisition of property, the demolition of buildings and improvements, the relocation of any displaced occupants, and the construction of streets, parking facilities, utilities and other public improvements. The Redevelopment Plan also allows the redevelopment of land by private enterprise, the rehabilitation of structures, the rehabilitation or construction of low and moderate income housing, and participation by owners and the tenants of properties in the Merged Project.

Pursuant to the Redevelopment Law, the Redevelopment Plan sets forth a number of limitations with respect to each component of the Merged Project, including plan expiration dates, time limits to incur debt, time limits on payment of indebtedness with tax increment revenues, dollar caps on bonded indebtedness and tax increment receipt. For a more detailed discussion on these Plan Limitations, see "LIMITATIONS ON TAX REVENUES – Plan Limitations."

Location and Surrounding Area

The Merged Project consists of approximately 3,080.5 acres of non-contiguous parcels. Below is a brief description of each formerly independent project areas that make up the Merged Project.

Tustin Street Project Area

The former Tustin Street Project Area encompassed approximately 653 acres situated primarily along Tustin Street from Lincoln Avenue on the north to Fairhaven Avenue on the south. Tustin Street is the primary retail commercial corridor in the City, and includes the Mall of Orange (soon to be renamed the Village at Orange, see "Redevelopment Projects" below), several large community shopping centers, several car dealerships and a number of small retail establishments.

The Tustin Street Project Area was originally formed in 1983, upon City Council's approval of the Tustin Street Original Redevelopment Plan by Ordinance No. 49-83 adopted on December 6, 1983. Later, the Tustin Street Amendment No. 1 Area was added pursuant to the Tustin Street Amendment No. 1 approved by the City Council by Ordinance No. 20-88 adopted on June 21, 1988.

Southwest Project Area

The former Southwest Project Area encompassed approximately 863 acres of commercial and office properties situated primarily along Chapman Avenue from Shaffer Street on the east to the City limits on the west, and along Main Street from Chapman Avenue on the north to the City's limits on the south. The Southwest Project Area includes a large shopping center known as The Block at Orange, several high rise office buildings, properties in and around the original town-site, including the area known as the "Plaza," City Hall, the Main Library, Chapman University, the UCI Medical Center and several County facilities.

The Southwest Project Area was originally formed in 1984, upon City Council's approval of the Southwest Original Redevelopment Plan by Ordinance No. Ordinance No. 37-84 adopted on November 20, 1984. Later, the Southwest Amendment No. 1 Area was added pursuant to Ordinance No. 20-86 adopted on July 15, 1986. The Southwest Amendment No. 2 Area was added pursuant to Ordinance No. 24-88 adopted on July 5, 1988. The Southwest Amendment No. 3 Area was added pursuant to Ordinance No. 17-96 adopted on July 9, 1996.

Northwest Project Area

The former Northwest Project Area encompassed approximately 1,564.5 acres bounded by Fletcher Avenue on the north, Orangewood Avenue on the south, Glassell/Orange Olive Road on the east, and the Santa Ana River on the west. The majority of properties in the Northwest Project Area are zoned and developed for industrial use, although a number of properties are utilized for commercial and office purposes.

The Northwest Project Area was originally formed in 1988, upon City Council's approval of the Northwest Original Redevelopment Plan by Ordinance No. 22-88 adopted on June 28, 1988. No territory was ever added to the Northwest Project Area prior to the merger.

Redevelopment Projects

The Agency has been actively involved in the redevelopment of properties located within the Merged Project, including the following recently completed and on-going projects:

The Block at Orange

The City Shopping Center, an 800,000 square foot retail center built in the early 1970's, became abandoned by the mid 1990's. During the same period, much of the 1.4 million square feet of office space adjacent to the shopping center became vacant. In a public/private partnership, the Agency and the Mills Corporation entered into a disposition and development agreement to redevelop the closed mall into an 811,000 square foot shopping and entertainment center. The agreement calls for the Agency to contribute $19 million toward the $150 million acquisition and development project.

The result of this partnership was the development of one of the earliest "Shoppertainment" concepts, which has proven to be a success and has since been copied throughout the country. Since its opening in November 1998, The Block at Orange has averaged approximately 13 million visitors annually. Capitalizing on the synergy created by The Block, the adjacent office space owned and managed by Equity Office Properties ("EOP") is now fully leased.

Building on the success of The Block at Orange, the Mills Corporation is planning to enhance and expand the retail space as well as add residential and hotel uses to the project. The Mills Corporation has begun pursuing entitlements for this expansion and expects to begin construction in the early part of 2004. In addition, EOP plans to add another 1.1 million square feet of office space in the area.

Uptown Orange

The Uptown Orange area consists of approximately 70 acres located northeast of The Block at Orange, much of which has been vacant or underutilized. In partnership with a few of the area property owners, the Agency began to engage in discussions with the development community to develop Uptown Orange. As a result, within the last year, separate entitlement applications have been submitted for three of the larger properties to be developed into a unique mix of luxury apartments and related uses. The Orange Drive-In site totals 20 acres, with 13 acres situated in the City and 7 acres in Anaheim. Pacific Theaters, the property owner, is partnering with Archstone Communities to redevelop the site into a high density, high-end luxury apartment complex consisting of 884 units, 536 of which will be in the City. The Cinedome Theater site, which totals 11.5 acres, is owned by theater operator Syufy Enterprises. The Agency has been informed that Syufy Enterprises is planning to sell the property to BRE Properties. BRE Properties is proposing to redevelop the site into a high-density apartment complex consisting of 462 units. The Orange Garden Inn (formerly Ramada Inn) property, which totals 4.5 acres, is in escrow to be purchased by Trammell Crow Residential. Trammell Crow Residential is proposing to redevelop the site into a high density, high-end luxury apartment and retail complex consisting of 276 units and 5,000 square feet of commercial space.

Mall of Orange / Village at Orange

Originally built in the late 1960's, the 820,000 square foot Mall of Orange has undergone a number of minor renovation and enhancement projects by its original owner during the past thirty years. The most recent improvement project included the addition of WalMart in 1997. In April 2002, RB Orange, L.P. acquired the mall with plans to reposition the site by undertaking extensive interior and exterior improvements and adding 36,000 square feet of retail space. A significant component of this project has been to attract several new national retailers. Cost Plus World Market, Linens N Things, Organized Living, Panera Bread Co., Pasta Pomodoro and Oggi's Pizza & Brewing Company are among the retail and restaurant chains that have thus far committed to leasing spaces in the renovated site, with openings to begin in fall of 2003. The first phase of the project is underway and anticipated to be completed by November 2003. As part of the repositioning, the mall will be renamed the Village at Orange as of November 1, 2003.

Main Street Medical Corridor

The City has four regional hospitals within its borders, three of which are located approximately one mile from each other on the Main Street and Chapman Avenue corridor. In an effort to develop complementary uses, the Agency has partnered with local developers to redevelop underutilized properties along the corridor.

In 2000, the 45,000 square foot La Veta-Main Shopping Center opened directly across the street from the St Joseph's/Children's Hospital complex. The Center has several restaurant and medical related retail tenants that cater to hospital visitors and employees. The Agency assisted with property acquisition and relocation.

In 2002, the 80,000 square foot Main Street Medical Center opened on Main Street two blocks from the St Joseph's/Children's Hospital complex. This state-of-the-art facility includes an out-patient surgical center and several leading specialty medical practices. The Agency assisted with property acquisition.

In May 2003, a two building medical office complex totaling 217,000 square feet was approved by the City Council. The project, located directly across the street from St Joseph's Hospital, will have striking architecture. The developer, Citadel Properties plans to begin construction on the first phase of the project, a four-story, 87,000 square foot building, before the end of 2003.

In addition to the development of medical offices, two of the City's hospitals will be undergoing significant renovations and expansions over the next several years. St Joseph's Hospital is in the process of planning to replace nearly every building in their complex and expand its facilities from 600,000 square feet to over 1.1 million square feet. University of California, Irvine (UCI) Medical Center is starting on a $350 million project to renovate and expand their facilities. UCI Medical Center is the County's only Level I Trauma Center and Academic hospital. Although, these projects will not involve Agency assistance, both will bring excitement and synergy to their respective areas as a result of the new construction activity.

For more description on various developments in the Merged Project, see "Development Activities" in the Fiscal Consultant's Report in Appendix B.

Assessed Valuation

The total fiscal year 2003-04 assessed value (secured and unsecured) for the Merged Project is $3,136,370,813. Table 1 below shows the base year assessed valuation and tax increment valuation for each component of the Merged Project, based on reports provided by the County:

TABLE 1
Orange Redevelopment Agency
Orange Merged and Amended Redevelopment Project Area
Base Year and Increment Values
Tax Year 2003-04

Component Area	Base Value	% of Total	Increment Value	% of Total	Total Assessed Value	% of Total AV
Tustin Original	$126,559,442	8.22%	$147,661,237	9.24%	$274,220,679	8.74%
Tustin Amendment No. 1	96,276,787	6.26	64,582,240	4.04	160,859,027	5.13
Southwest Original	137,667,717	8.94	314,656,580	19.70	452,324,297	14.42
Southwest Amendment No. 1	260,621,264	16.93	277,554,138	17.38	538,175,402	17.16
Southwest Amendment No. 2	85,756,740	5.57	164,014,555	10.27	249,771,295	7.96
Southwest Amendment No. 3	1,277,765	0.08	4,758,053	0.30	6,035,818	0.19
Northwest	830,971,007	53.99	624,013,288	39.07	1,454,984,295	46.39
Total	**$1,539,130,722**	**100.00%**	**$1,597,240,091**	**100.00%**	**$3,136,370,813**	**100.00%**

Source: GRC Associates / County of Orange Assessed Values Report, Equalized Tax Roll 2003-04. See Tables 3, 8, 12, 16, 20, 24, 28 and 32 of the Fiscal Consultant's Report in Appendix B.

The following are the assessed valuations and tax increment revenues for the Merged Project from fiscal years 1999-00 through 2003-04, based on reports provided by the County:

TABLE 2
Orange Redevelopment Agency
Orange Merged and Amended Redevelopment Project Area
Historical Assessed and Tax Increment Valuation
Tax Years 1990-00 through 2003-04

	1999-00[(1)]	2000-01[(1)]	2001-02[(1)]	2002-03	2003-04
Total Valuation	$2,674,255,577	$2,789,787,519	$2,856,773,985	$3,013,430,615	$3,136,370,813
Less: Base Year Value [(2)]	1,539,130,722	1,539,130,722	1,539,130,722	1,539,130,722	1,539,130,722
Incremental Valuation	**$1,135,124,855**	**$1,250,656,797**	**$1,317,643,263**	**$1,474,299,893**	**$1,597,240,091**

(1) Values shown are aggregates of those for the Tustin Street Project Area, the Southwest Project Area and the Northwest Project Area.
(2) Base year value as shown in County of Orange Assessed Values Report, Equalized Tax Roll for 2003-04.

Source: GRC Associates / County of Orange Assessed Values Report, Equalized Tax Rolls 1999-00 through 2003-04. See Tables 3 of the Fiscal Consultant's Report in Appendix B.

Land Use in the Merged Project

The table below shows the assessed valuation for different categories of land uses:

TABLE 3
Orange Redevelopment Agency
Orange Merged and Amended Redevelopment Project Area
Assessed Valuation by Land Use Category
Tax Year 2003-04

Land Use Category	Assessed Value	% of Merged Project Total AV
Commercial	$1,566,506,501	49.95%
Industrial	865,613,633	27.60
Residential	74,283,875	2.37
Miscellaneous	8,094	0.00
SBE Nonunitary	4,665,291	0.15
Unsecured	625,293,419	19.94
Total	**$3,136,370,813**	**100.00%**

Source: Office of Orange County Auditor-Controller. Also see table on p. 5 of the Fiscal Consultant's Report in Appendix B.

Major Taxpayers

The following table shows the ten largest taxpayers in the Merged Project based on the assessment roll for the 2003-04 tax year:

TABLE 4
Orange Redevelopment Agency
Orange Merged and Amended Redevelopment Project Area
Ten Largest Property Taxpayers
Tax Year 2003-04

Assessee	Primary Use	No. of Parcels	Secured Assessed Value	Unsecured Assessed Value	Total Assessed Value	% of Proj. Area AV
EOP The City LLC	Commercial	10	$181,811,940	$36,323	$181,848,263	5.80%
Orange City Mills Limited Partnership	Commercial	18	119,939,454	1,824,471	121,763,925	3.88
Massachusetts Mutual	Commercial	4	62,082,579		62,082,579	1.98
Pauline R. Murphy Trust	Commercial	1	44,782,520		44,782,520	1.43
SSR Realty Advisors	Residential	1	43,717,316		43,717,316	1.39
EOP-1100 Executive Tower	Commercial	1	36,992,755		36,992,755	1.18
EOP Orange LLC	Commercial	16	36,743,883		36,743,883	1.17
RB Orange LP	Commercial	6	36,019,968		36,019,968	1.15
Varco International Inc.	Unsecured	0 (1)	0	32,309,347	32,309,347	1.03
Syufy Enterprises	Commercial	4	28,840,541		28,840,541	0.92
	Total	**64**	**$590,930,959**	**$34,170,141**	**$625,101,097**	**19.93%**

(1) Varco International Inc. leases, but does not own, any secured real property in the Merged Project.

Source: GRC Associates / County of Orange Assessed Values Report, Equalized Tax Roll for 2003-04. See Table 5 of the Fiscal Consultant's Report in Appendix B.

Tax Rates

Tax rates vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of $1.00 per $100 of taxable values and the override tax rate, which is that portion of the tax rate that exceeds the general levy tax rate in order to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition 13. Tax override rates for debt issued on or after January 1, 1989 are not taken into account in determining the amount of tax increment revenues allocable to the Agency. See "LIMITATIONS ON TAX REVENUES – Proposition 87."

There are 41 Tax Rate Areas (each a "TRA") in the Merged Project. A TRA is a geographical area within which the taxes on all property are levied by a certain set of taxing entities. The breakdown of tax rate that is applicable to the Merged Project for tax year 2003-04 is set forth below.

TABLE 5
Orange Redevelopment Agency
Orange Merged and Amended Redevelopment Project Area
Tax Rate
Tax Year 2003-04
(in Percent)

Basic Levy	1.0000%
Metropolitan Water District	0.0067
Total Levy	**1.0067%**

Source: GRC Associates. See p. 8 of Fiscal Consultant Report in Appendix B.

For the tax increment revenue projections in its report, the Fiscal Consultant has assumed that the tax rate is $1.0067 per $100 of secured and unsecured assessed value. See pages 8 and 9 of the Fiscal Consultant's Report in Appendix B.

Collection Rate

The following is certain statistical information covering the tax collection rate historically experienced by the Merged Project. See also "BONDOWNERS' RISKS – Levy and Collection."

TABLE 6
Orange Redevelopment Agency
Orange Merged and Amended Redevelopment Project Area
Historical Tax Levy and Collection Rate
Tax Years 1998-99 through 2002-03

	1998-99(1)	1999-00(1)	2000-01(1)	2001-02(1)	2002-03
Tax Levy	$7,771,264	$11,322,931	$12,675,376	$13,001,644	$14,326,835
Collection	7,360,305	11,050,594	12,270,213	12,789,158	13,770,563
Collection Rate	**94.71%**	**97.59%**	**96.81%**	**98.37%**	**96.12%**

(1) Charges, receipts and delinquencies shown are aggregates of those for the Tustin Street Project Area, the Southwest Project Area and the Northwest Project Area.

Source: GRC Associates / Office of Orange County Auditor-Controller. See table on p. 9 of the Fiscal Consultant's Report in Appendix B.

Bonded Indebtedness and Certain Other Obligations

Upon issuance of the Bonds, the Agency will have $66,865,000 aggregate principal amount of bonds outstanding and payable from Tax Revenues, consisting of the Bonds and the Tustin Street 1997 Bonds.

As discussed in further detail below, the Agency is obligated to make certain "pass-through" payments to taxing entities that have territorial jurisdiction within the Merged Project. The tax increment revenues of the Agency pledged for the payment of the Bonds are net of these "pass-through" payments to the extent they create a prior, unsubordinated lien on tax increment revenues of the Agency. See "Tax Sharing Agreements" and "Section 33607.5 Pass-Through Payments."

In 1991, the Agency entered into a disposition and development agreement with Home Depot U.S.A., Inc. ("Home Depot") for the development of a Home Depot Service Store. Such agreement was originally executed on June 24, 1991, and it has since been amended (the amended agreement being referred to herein as the "Home Depot DDA"). Under the Home Depot DDA, the Agency pays Home Depot an annual amount equal to 100 percent of the tax increment revenue from the subject property until August 1, 2006; provided, that (i) the aggregate amount payable by the Agency under the agreement will not exceed the 1991 net present value of $1,495,639 (payments discounted at 8 percent annually) and (ii) no payment is required to be made if sales tax revenues received by the City do not exceed $150,000 annually. The Agency's payments under the Home Depot DDA for fiscal year 2001-02 and fiscal year 2002-03 were $99,307.30 and $103,973.41, respectively. Under the definition of "Tax Revenues" set forth in the Indenture, the tax increment revenues of the Agency pledged for the payment of the Bonds are net of the annual payments under the Home Depot DDA.

In addition to the foregoing, the Agency has entered into a number of other agreements that represent commitments against future tax increment revenues. The lien on the Agency's tax increment revenues, if any, created by these agreements are subordinate to the lien with respect to the Bonds. For a description of some of these obligations, see the descriptions under the caption "Tax Sharing Agreements and Other Obligations" in the Fiscal Consultant's Report set forth in Appendix B and Notes 7 and 10 to the Agency's audited financial statements for the Fiscal Year ended June 30, 2002, set forth in Appendix C.

In March 2002, the Orange Unified School District ("OUSD") made a claim seeking to recover money from the Agency. OUSD asserts that the Agency received certain tax increment revenues with respect to the Southwest Amendment No. 1 Area that should have been allocated to OUSD under the former Section 33676(a) of the Redevelopment Law. The Agency disputes OUSD's claim and has been engaged in discussions with OUSD to resolve this matter. See "BONDOWNERS' RISKS – Claim by Orange Unified School District" for a more detailed discussion of OUSD's claim and "LIMITATIONS ON TAX REVENUES – Section 33676 Reductions" for a discussion on the effect of Section 33676 on the Agency's tax increment revenue receipts.

Projected Taxable Valuation and Tax Revenues; Debt Service Coverage

Table 7 shows the projected growth of assessed valuation in the Merged Project and the resulting net tax increment revenues for fiscal years 2003-04 through 2013-14, as estimated by the Fiscal Consultant. Table 8 depicts the projected net tax increment revenues (including a portion of the Housing Set-Aside, see Footnote 1 to such table) available to pay debt service on the Bonds and the Tustin Street 1997 Bonds based on such growth of assessed valuation in the Merged Project through fiscal year 2023-24, as estimated by the Fiscal Consultant.

Receipt of projected net tax increment revenues in the amounts and at the time projected by the Agency depends on the realization of certain assumptions relating to the net tax increment revenues. The projections shown on the following tables are based on a number of assumptions made by the Fiscal Consultant and are subject to various limiting conditions. Although the Agency believes that the assumptions upon which the projected net tax increment revenues are based are reasonable, the Agency provides no assurance that the projected net tax increment revenues will be realized. For example, the Fiscal Consultant's projections assume that the total assessed value will grow at the rate of two percent per year. There is no assurance that growth will occur at such rate. In the past, there have been periods during which this growth rate did not occur. To the extent that the assumptions made by the Fiscal Consultant are not actually realized, the Agency's ability to timely pay principal and interest on the Bonds may be adversely affected. See "APPENDIX B – REPORT OF FISCAL CONSULTANT" for a further description of the assumptions and limiting conditions relative to these projections; also see "BONDOWNERS' RISKS."

TABLE 7
Orange Redevelopment Agency
Orange Merged and Amended Redevelopment Project Area
Projected Tax Increment Revenues
Fiscal Years 2003-04 through 2013-14
(in Thousands)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
TAXABLE VALUES (1)											
Land	$1,013,790	$1,034,066	$1,054,747	$1,075,842	$1,097,359	$1,119,306	$1,141,693	$1,164,526	$1,187,817	$1,211,573	$1,235,805
Improvements	1,824,948	1,861,447	1,898,676	1,936,650	1,975,383	2,014,890	2,055,188	2,096,292	2,138,218	2,180,982	2,224,602
Less: Exemptions	(267,857)	(273,214)	(278,679)	(284,252)	(289,937)	(295,736)	(301,651)	(307,684)	(313,837)	(320,114)	(326,516)
Personal Property (2)	557,922	557,922	557,922	557,922	557,922	557,922	557,922	557,922	557,922	557,922	557,922
Total Projected Taxable Value	3,128,804	3,180,221	3,232,667	3,286,162	3,340,727	3,396,383	3,453,152	3,511,057	3,570,120	3,630,364	3,691,812
Taxable Value over Base	**1,589,673**	**1,641,091**	**1,693,537**	**1,747,032**	**1,801,596**	**1,857,252**	**1,914,022**	**1,971,926**	**2,030,989**	**2,091,233**	**2,152,682**
TAX INCREMENT REVENUES											
Gross Tax Increment Revenue (3)	16,003	16,521	17,049	17,587	18,137	18,697	19,268	19,851	20,446	21,052	21,671
Unitary Tax Revenue	216	216	216	216	216	216	216	216	216	216	216
Less: Section 33676 Allocations (4)	(729)	(780)	(832)	(885)	(939)	(994)	(1,050)	(1,107)	(1,166)	(1,225)	(1,286)
Adjusted Gross Revenues	**15,490**	**15,957**	**16,433**	**16,919**	**17,414**	**17,919**	**18,435**	**18,960**	**19,497**	**20,044**	**20,601**
Less:											
Housing Set Aside Requirement (5)	(3,113)	(3,207)	(3,302)	(3,400)	(3,499)	(3,601)	(3,704)	(3,810)	(3,917)	(4,027)	(4,139)
SB 2557 County Administrative Fee (6)	(144)	(148)	(152)	(157)	(162)	(166)	(171)	(176)	(181)	(186)	(191)
ERAF Mandated Costs (7)	(720)										
Pass-through Not Subordinate to Bond Debt (8)	(3,093)	(3,201)	(3,312)	(3,426)	(3,546)	(3,668)	(3,793)	(3,921)	(4,051)	(4,184)	(4,318)
Home Depot DDA Payments (8)	(99)	(99)	(99)								
Pledged Revenues (9)	**8,320**	**9,302**	**9,567**	**9,936**	**10,207**	**10,484**	**10,766**	**11,054**	**11,347**	**11,647**	**11,953**
Less: Pass-through Subordinate to Bond Debt (8)	(95)	(98)	(101)	(104)	(108)	(111)	(115)	(118)	(122)	(126)	(129)
Total Revenues	**$8,226**	**$9,204**	**$9,465**	**$9,831**	**$10,100**	**$10,373**	**$10,651**	**$10,936**	**$11,225**	**$11,521**	**$11,824**

(1) Taxable values as reported by the County less approximately $7.6 million for projected loss of assessed value due to appeals (see Table 4 of Fiscal Consultant's Report in Appendix B). Projections inflate land, improvements and exemptions at two percent per year .

(2) Values for personal property is held constant at 2003-04 level.

(3) Projected based on incremental taxable values factored against an assumed projected tax rate and adjusted for indebtedness approved by voters before 1988. The assumed future tax rate is $1.0067 per $100 of taxable value. See discussion under the caption "Tax Rates" above.

(4) See "LIMITATIONS ON TAX REVENUES – Section 33676 Reductions."

(5) Calculated at 20 percent of Adjusted Gross Revenues. See "LIMITATIONS ON TAX REVENUES – Housing Set-Aside."

(6) The County's Administrative fee is estimated at 0.928 percent of Adjusted Gross Revenues, the rate given by the County as of February 25, 2003. See "LIMITATIONS ON TAX REVENUES – County Tax Allocation Procedures Applicable to the Agency."

(7) 2003-04 cost is based on SB 1045. There are no scheduled future payments after fiscal year 2003-04. See "BONDOWNER'S RISKS – ERAF; State Budget Deficit."

(8) See discussion under "Bonded Indebtedness and Certain Other Obligations" above.

(9) These projections do not include any tax increment revenues deposited in the Housing Set-Aside Fund. See Footnote 10 to Table 1 of the Fiscal Consultant Report in Appendix B; also see Footnote 1 to Table 8 on the following page.

Source: GRC Associates; see Table 1 of the Fiscal Consultant's Report in Appendix B.

TABLE 8
Orange Redevelopment Agency
Orange Merged and Amended Redevelopment Project Area
Projected Tax Increment Revenues and Debt Service Coverage
Fiscal Years 2003-04 through Fiscal Year 2023-24

Fiscal Year Ending June 30	Projected Tax Revenues (1)	Debt Service on Tustin Street 1997 Bonds	Debt Service on Series 2003A and Series 2003B Bonds	Total Debt Service (2)	Coverage (3)
2004	$8,676,825	$801,121	$980,758	$1,781,879	4.87
2005	10,294,626	802,663	4,159,976	4,962,639	2.07
2006	10,559,946	803,571	4,162,259	4,965,830	2.13
2007	10,928,482	803,708	4,159,064	4,962,772	2.20
2008	11,201,162	803,262	4,164,661	4,967,923	2.25
2009	11,478,163	801,332	4,168,231	4,969,563	2.31
2010	11,787,679	803,835	4,302,981	5,106,816	2.31
2011	12,074,669	805,397	4,297,836	5,103,233	2.37
2012	12,369,333	806,114	4,303,134	5,109,248	2.42
2013	12,665,338	805,883	4,286,735	5,092,618	2.49
2014	12,970,472	804,570	4,287,134	5,091,704	2.55
2015	13,283,287	802,433	4,304,225	5,106,658	2.60
2016	13,596,503	804,470	4,299,425	5,103,895	2.66
2017	13,918,483	810,170	4,303,400	5,113,570	2.72
2018	14,241,721	812,608	4,303,300	5,115,908	2.78
2019	14,569,909	812,854	4,299,365	5,112,219	2.85
2020	14,905,485	810,751	4,302,530	5,113,281	2.92
2021	15,249,598	816,299	4,307,193	5,123,492	2.98
2022	15,599,043	818,715	4,307,443	5,126,158	3.04
2023	15,954,766	817,999	4,307,318	5,125,317	3.11
2024	16,318,749	819,151	4,311,040	5,130,191	3.18

(1) "Projected Tax Revenues" are based on Table 2 of the Fiscal Consultant's Report (See Appendix B), plus a portion of the "Housing Set-Aside," equal to 20 percent of "Total Debt Service" on the Tustin Street 1997 Bonds and the Bonds. Because the Agency has allocated 20 percent of the proceeds of the Tustin Street 1997 Bonds and 20 percent of the proceeds of the bonds previously refunded by the Refunded Bonds to low and moderate income housing purposes, the Agency is permitted to pay up to 20 percent of the debt service on the Tustin Street 1997 Bonds and the Bonds from the Housing Set-Aside each year. Thus, 80 percent of "Total Debt Service" must be paid from the portion of "Projected Tax Revenues" that does not include Housing Set-Aside, and 20 percent of "Total Debt Service" is payable from either Housing Set Aside or other Projected Tax Revenues sources, or a combination of both. See "LIMITATIONS ON TAX REVENUES – Housing Set-Aside."

(2) Equal to the sum of debt service on the Tustin Street 1997 Bonds, the Series 2003A Bonds and the Series 2003 Bonds. Total may not add due to rounding.

(3) Equal to "Projected Tax Revenues" divided by "Total Debt Service."

Assessment Appeals

The following table shows certain statistical information and estimates concerning assessment appeals with respect to the Merged Project. See also "BONDOWNERS' RISKS - Property Tax Appeals" and discussion of assessment appeals in the Merged Project in "APPENDIX B – REPORT OF FISCAL CONSULTANT."

TABLE 9
Orange Redevelopment Agency
Orange Merged and Amended Project Area
Historical Appeal Summary
Tax Years 1998-99 through 2002-03 (1)

	1998-99 (2)	1999-00 (2)	2000-01 (2)	2001-02 (2)	2002-03	Total
Total appeals filed	63	108	162	83	84	**500**
Appeals resolved to date (2)	55	100	156	76	10	**397**
Appeals resolved with value change (3)	17	16	28	9	2	**72**
% of resolved appeals successful	30.91%	16.00%	17.95%	11.84%	20.00%	**18.14%**
Initial assessed value of successful appeals	$36,434,682	$53,258,483	$35,441,043	$21,944,988	$589,071	**$147,668,267**
Approved assessed value	$40,050,083	$43,149,084	$28,710,352	$17,950,936	$492,000	**$130,352,455**
% reduction from original value	-9.92%	18.98%	18.99%	18.20%	16.48%	**11.73%**
Appeals pending	8	8	6	7	74	**103**
Values of appeals pending	$4,103,745	$4,055,772	$14,340,404	$13,532,011	$319,786,938	**$355,818,870**

(1) Appeals data provided to the Fiscal Consultant by County of Orange as of February 14, 2003.
(2) Data shown are aggregates of those for the Tustin Street Project Area, the Southwest Project Area and the Northwest Project Area.
(3) Include successful, withdrawn and denied appeals.
(4) Include only appeals with approved valuation change.

Source: GRC Associates / County of Orange. See Table 4 of the Fiscal Consultant's Report in Appendix B.

Tax Sharing Agreements

Prior to the passage of AB 1290, pursuant to former Section 33401(b) of the Redevelopment Law, a redevelopment agency was authorized to enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements usually provide for a pass-through of tax increment revenues directly to the affected taxing agency, and, therefore, are commonly referred to as "pass-through" agreements or "tax sharing" agreements.

The Agency has previously entered into a number of tax sharing agreements (the "Tax Sharing Agreements") with respect to the former Tustin Street Project Area, Southwest Project Area and Northwest Project Area. The taxing entities with which the Agency has entered into Tax Sharing Agreements are listed in the table below. Further description of these Tax Sharing Agreements can be found under the caption "Tax Sharing Obligations" in the Fiscal Consultant's Report set forth in Appendix B.

TABLE 10

Orange Redevelopment Agency
Orange Merged and Amended Redevelopment Project Area
Tax Sharing Agreements

Component Area	Contracting Parties (other than the Agency and the City)
Tustin Street Original Area	County taxing entities (including County of Orange and Orange County Flood Control District); Orange Unified School District
Tustin Street Amendment No. 1 Area	County taxing entities (including County of Orange, Orange County Harbors, Beaches and Parks District and Orange County Flood Control District); Orange Unified School District; Orange County Department of Education; Rancho Santiago Community College; Orange County Sanitation District; Orange County Water District
Southwest Original Area	County taxing entities (including County of Orange and Orange County Flood Control District); Orange Unified School District; Orange County Department of Education
Southwest Amendment No. 1 Area	County taxing entities (including County of Orange and Orange County Flood Control District); Anaheim Union High School District; Anaheim City School District; Orange County Water District
Southwest Amendment No. 2 Area	County taxing entities (including County of Orange, Orange County Harbors, Beaches and Parks District and Orange County Flood Control District); Orange Unified School District; Orange County Department of Education; Anaheim City School District; Orange County Water District; Rancho Santiago Community College; Orange County Sanitation District; Metropolitan Water District
Northwest Project Area	County taxing entities (including County of Orange, Orange County Harbors, Beaches and Parks District and Orange County Flood Control District); Orange Unified School District; Orange County Department of Education; Orange County Water District; Rancho Santiago Community College; Orange County Sanitation District

Because the Southwest Amendment No. 3 Area was added to the Southwest Project Area after the passage of AB 1290, there has been no tax sharing agreement executed with respect to the Southwest Amendment No. 3 Area.

Section 33607.5 Pass-Through Payments

As described above, prior to the adoption of AB 1290, the Redevelopment Law authorized a redevelopment agency to enter into "pass-through" or "tax-sharing" agreements with taxing entities affected by the adoption of a redevelopment plan. AB 1290 repealed the provisions of the Redevelopment Law which authorized pass-through agreements, and replaced it with a system of statutorily mandated pass-throughs (the "Section 33607.5 Payments").

California Health and Safety Code Section 33607.5 and Section 33607.7 were added to the Redevelopment Law by AB 1290. Section 33607.7 has been further amended by SB 211, Chapter 741, Statutes 2001 ("SB 211"). Together, they require that taxing entities receive an additional portion of tax increment revenues otherwise payable to the redevelopment agency, if such taxing entities were affected by (i) the adoption after January 1, 1994, of a new redevelopment plan for a project area or an amendment to an existing redevelopment plan that added territory to a project area or (ii) the adoption after January 1, 1994 of an amendment (to a redevelopment plan that was adopted before January 1, 1994) which extends the time limit on incurring debt with respect to the project area, extends the time limit for the duration and effectiveness of the redevelopment plan, and/or increases the dollar cap on the amount of tax increment revenues allocable to the redevelopment agency for the project area (see "LIMITATIONS ON TAX REVENUES – Plan Limitations").

Under Section 33607.5, with certain exceptions, with respect to a redevelopment plan or a territory-adding amendment adopted after January 1, 1994, commencing with the first fiscal year in which the agency receives tax increment revenues for the affected project area (or the affected added territory) and continuing through the last fiscal year in which the agency receives tax increment revenues, the agency must pay to the affected taxing entities an amount equal to 25 percent of the tax increment revenues received by the agency after the amount required to be deposited in the low and moderate income housing fund (the "Housing Set-Aside Fund") has been deducted. See "SECURITY FOR THE BONDS – Allocation of Taxes" and "LIMITATIONS ON TAX REVENUES - Housing Set-Aside." Commencing with the 11th fiscal year in which the agency receives tax increment revenues for the affected project area (or the affected added territory) and continuing through the last fiscal year in which the agency receives tax increment revenues, the agency shall pay to the affected taxing entities (other than the city that established such redevelopment agency), in addition to the amounts paid pursuant to the preceding sentence and after deducting the amount allocated to the Housing Set-Aside Fund, an amount equal to 21 percent of the portion of tax increment revenues received by the agency, which will be calculated by applying the tax rate against the amount of assessed value by which the current year assessed value exceeds the first adjusted base year assessed value. The first adjusted base year assessed value for the 21 percent additional pass-through is the assessed value of the project area (or the affected added territory) in the 10th fiscal year in which the agency receives tax increment revenues. Additional amounts are payable commencing with the 31st year.

For any post-1993 amendment to a redevelopment plan adopted before January 1, 1994 that extends the time limits for incurring debt, extends the duration of the redevelopment plan and/or increases the tax increment cap, the formulas for calculating Section 33607.5 Payments are similar to those described in the preceding paragraph, except that each instance of the "first fiscal year the agency receives tax increment revenues" shall be substituted with the first year following the "adjusted base year" as defined in Section 33607.7(c) (the "Adjusted Based Year"). The "Adjusted Base Year" is the fiscal year that the applicable limit would have taken effect without the amendment. Thus, the "25 percent of tax increment" described in the preceding paragraph would be payable commencing the first year following the Adjusted Base Year, which will be calculated by applying the tax rate against the amount of assessed value by which current year assessed value exceeds the Adjusted Base Year assessed value. Similarly, the "21 percent additional pass-through" described in the preceding paragraph would be payable commencing the 11th year following the first year after the Adjusted Base Year. The first adjusted base year assessed value for such 21 percent additional pass-through is the assessed value of the project area in the 10th fiscal year counting from the first year after the Adjusted Base Year.

Of the component territories of the Merged Project, only the Southwest Amendment No. 3 Area was added after January 1, 1994. However, in adopting the Redevelopment Plan for the Merged Project in 2001, the Agency extended the time limit to incur debt for all the other component territories of the Merged Project (see "LIMITATIONS ON TAX REVENUES – Plan Limitations"). Therefore, under Section 33607.5 and Section 33607.7, the Agency is obligated to make Section 33607.5 Payments not only to affected taxing agencies with respect to the Southwest Amendment No. 3 Area, but also to affected taxing agencies with which the Agency has no tax sharing agreement for all of the other component territories of the Merged Project. Table 11 below shows certain information concerning the Agency's Section 33607.5 Payment obligations with respect to each component of the Merged Project:

TABLE 11
Orange Redevelopment Agency
Orange Merged and Amended Redevelopment Project Area
Section 33607.5 Pass-Through Payments

Component Area	General Levy Share of Taxing Entities with which the Agency Has No Tax Sharing Agreement (1)	First Fiscal Year of Payments at 25% of Net Tax Increment (2)	First Fiscal Year of Additional Payments at 21% of Net Tax Increment (2)
Tustin Original	15.49%	2004-05	2014-15
Tustin Amendment No. 1	1.04	2008-09	2018-19
Southwest Original	13.70	2005-06	2015-16
Southwest Amendment No. 1	61.10	2007-08	2017-18
Southwest Amendment No. 2	1.33	2009-10	2019-20
Southwest Amendment No. 3 (3)	70.90	1996-97	2006-07
Northwest	0.45	2008-09	2018-19

(1) Represents percent per $1.00 of property tax generated.
(2) For the purposes of Section 33607.5 Payments, "tax increment" is calculated net of Housing Set-Aside. The year immediately prior to such fiscal year will be used as the base year. See discussion above.
(3) Southwest Amendment No. 3 area was added after January 1, 1994. Therefore all affected taxing entities, except for the City, receive Section 33607.5 Payments beginning in the first year in which the Agency received tax increment from the Southwest Amendment No. 3 Area, *i.e.*, fiscal year 1997-98.

Source: GRC Associates / Orange Redevelopment Agency. See discussion on pp. 16 through 21 of Fiscal Consultant's Report in Appendix B.

A redevelopment agency's obligations to make Section 33607.5 Payments are not subordinate to the redevelopment agency's obligations with respect to the agency's loans or bonds unless the incurrence of such debt satisfies certain conditions and the affected taxing entity does not object to the subordination on grounds permitted by Section 33607.5. The Tax Revenues projections set forth herein and in the Fiscal Consultant's Report in Appendix B assume that none of the Section 33607.5 Payments are subordinate to the Bonds.

BONDOWNERS' RISKS

INVESTMENT IN THE BONDS INVOLVES ELEMENTS OF RISK. THE FOLLOWING SECTION DESCRIBES CERTAIN SPECIFIC RISK FACTORS AFFECTING THE PAYMENT AND SECURITY OF THE BONDS. THE FOLLOWING DISCUSSION OF RISKS IS NOT MEANT TO BE AN EXHAUSTIVE LIST OF THE RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS AND THE ORDER OF DISCUSSION OF SUCH RISKS DOES NOT NECESSARILY REFLECT THE RELATIVE IMPORTANCE OF THE VARIOUS RISKS. POTENTIAL INVESTORS ARE ADVISED TO CONSIDER THE FOLLOWING FACTORS ALONG WITH ALL OTHER INFORMATION IN THIS OFFICIAL STATEMENT IN EVALUATING THE BONDS. THERE CAN BE NO ASSURANCE THAT OTHER RISK FACTORS NOT DISCUSSED UNDER THIS CAPTION WILL NOT BECOME MATERIAL IN THE FUTURE.

Limited Obligations of the Agency

The Bonds and the interest thereon are limited obligations of the Agency and do not constitute a general obligation of the Agency. See "SECURITY FOR THE BONDS." No Owner of the Bonds may compel exercise of the taxing power of the State of California or any of its political subdivisions or agencies to pay the principal of, premium, if any, or interest due on the Bonds. The Bonds do not evidence a debt of the Agency or the City within the meaning of any constitutional debt limitation provision.

Reduction in Taxable Value

Tax Revenues allocated to the Agency are determined by the amount of incremental taxable value in the Merged Project and the current rate or rates at which property in the Merged Project is taxed. The reduction of taxable values of property in the Merged Project caused by economic factors beyond the Agency's control, such as a relocation out of the Merged Project by one or more major property owners, successful appeals by property owners for a reduction in property's assessed value, blanket reductions in assessed value due to general reductions in property values or the complete or partial destruction of such property caused by, among other eventualities, an earthquake or other natural disaster, could cause a reduction in Tax Revenues securing the Bonds. Such reduction of Tax Revenues could have an adverse impact on the Agency's ability to make timely payments of principal of and interest on the Bonds. In addition, other limitations on the Agency's receipt and use of tax increment revenues may also affect the availability of Tax Revenues. See "LIMITATIONS ON TAX REVENUES – Housing Set-Aside" and "– Plan Limitations."

County of Orange vs. Orange County Assessment Appeals Board

On November 2, 2001, the Orange County Superior Court issued a Minute Order in the case of *County of Orange vs. Orange County Assessment Appeals Board No. 3* (the "Pool Case"). The Pool Case involved the assignment of assessed value to a property that exceeded the prior year's assessed value by more than two percent.

The increase of a property's assessed value by more than two percent is a common practice among California assessors. Such adjustments occur when: (1) the prior year value of the property is less than the base year value of the property (*i.e.*, the value assigned upon change of ownership or new construction), and (2) the current year market value of the property is equal to or higher than the base year value determined for the current year. These two conditions often exist when the prior year value of the property was reduced at taxpayer's request through a process commonly referred to a "Proposition 8 appeal" and, subsequently, the condition causing the reduction (*e.g.*, recession in the real estate market) has ceased to influence the value of the property. Several occurrences in recent years, including natural disasters and economic downturns, have resulted in the downward valuation of taxable property. Following these occurrences, assessors have restored value at rates which may exceed two percent given the success of repairs following a disaster or the speed of a rebound from an economic downturn.

In the Pool Case, the residence at issue was purchased in 1995 in the City of Seal Beach. Due to a flat real estate market, the home's assessed value stayed the same for two years. When the market value of the home increased in 1998-99, the County enrolled an assessed value which represented the 1996-97 base year adjusted for an annual two percent rate for the 1997-98 tax year and the 1998-99 tax year. In effect, the assessed value in 1998-99 was an increase of four percent from the 1997-98 tax year. The County of Orange contended that it was entitled to recapture the two percent adjustment it had not previously utilized in 1997-98, as well as the two percent adjustment for 1998-99. In December 2001, the Superior Court declared the County's practice of "recapturing" to be unconstitutional. In December 2002, the court certified a "class action" status for the case and defined the class of potential plaintiffs to include all of the people in Orange County subject to the recapture.

In 2002, two other Superior Courts (Los Angeles and San Diego) ruled differently on the recapture issue. Therefore, the issues of uniformity and equal protection for each taxpayer statewide needs to be addressed. The Superior Court in the Pool Case entered a Final Judgment on April 18, 2003, and thus, the case has been released from the lower court. On June 12, 2003, the Orange County Assessor and Tax Collector, in conjunction with the County of Orange, filed a notice of appeal of action in the Court of Appeal of the State of California. This appeal is expected to take one to two years to complete.

The Agency is unable to predict the outcome of the pending appeal and the effect on Tax Revenues if the ruling described above is ultimately determined to have applicability to property within the Merged Project.

Reduction in Inflationary Rate; Future Legislation

As alluded to above under "County of Orange vs. Orange County Assessment Appeals Board" and as described in greater detail below under "LIMITATIONS ON TAX REVENUES," Article XIIIA 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 two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. For fiscal year 2002-03, the County Assessor applied the maximum inflationary factor to properties in the Merged Project as determined under Article XIIIA of two percent. As reflected in Appendix B, the Fiscal Consultant has assumed, for purposes of its report, that assessed values will increase by the full inflationary rate of two percent each year; however, there can be no assurance that this will be the case. The Agency is unable to predict if adjustments to the full cash value base of any property in the Merged Project, whether an increase or a reduction, will be realized in the future.

Article XIIIA of the California Constitution, which significantly affected the rate of property taxation, was adopted pursuant to California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might alter the calculation of tax increment revenues, reduce the property tax rate, or broaden property tax exemptions. Future legislative reallocation of the one percent basic levy among the affected taxing entities could increase the taxes retained by certain taxing entities with a corresponding reduction in Tax Revenues. See "LIMITATIONS ON TAX REVENUES – Property Tax Limitations – Article XIIIA."

Claim by Orange Unified School District

On June 26, 2002, OUSD delivered a claim to the Agency asserting that, in light of the decision by the Fourth District of the California Court of Appeal in *Santa Ana Unified School District vs. Orange County Development Agency* (the "Santa Ana USD Case"), OUSD is entitled to recover money from the Agency. OUSD claims that the Agency received tax increment revenues from the Southwest Amendment No. 1 Area that should have been allocated to OUSD from fiscal years 1987-88 through 2000-01.

The Santa Ana USD Case, as well as OUSD's claim, involves the allocation of tax increment revenues pursuant to Section 33676(a) of the Redevelopment Law as it existed before the passage of AB 1290. Generally, before AB 1290, Section 33676(a) provided that, prior to the adoption of a redevelopment plan (or an amendment adding territory to a project area), under certain conditions, "any affected taxing agency may elect, and every school and community college district shall elect, to be allocated all or any portion of the tax revenues" derived based on an annual adjustment of the base year assessed value of real properties in the project area (or the added territory). The words "*every school and community college district shall elect*" were added pursuant to a 1984 amendment. The amount of property taxes that a taxing entity may receive under the former Section 33676(a) is derived by increasing the base year value of taxable real property in the project area (or the added territory) by an inflationary factor of not greater than two percent per year (the "2 Percent Allocation"). In effect, the 2 Percent Allocation reduces the tax increment revenues that a redevelopment agency receives from the project area (or, if applicable, an added area to the project area).

In the Santa Ana USD Case, the redevelopment plan at issue was adopted in 1986. In 1996, the Santa Ana Unified School District ("Santa Ana USD") adopted a resolution electing to be paid its share of the 2 Percent Allocation. The Orange County Development Agency took the position that Santa Ana USD was not entitled to the 2 Percent Allocation because the election to receive such allocation should have been made before the adoption of the redevelopment plan for the project area. In turn, Santa Ana USD argued that the mandatory nature of the words "shall elect" in the statute made the allocation mandatory with respect to a school district. The lower court ruled in favor of Santa Ana USD. In an opinion published on June 29, 2001, the Court of Appeal affirmed. As a result, Santa Ana USD received the award it had requested, *i.e.*, its share of the 2 Percent Allocation from 1996, the year Santa Ana USD made the Section 33676 election. The California Supreme Court denied review of the Santa Ana USD Case on September 19, 2001.

With respect to most component areas of the Merged Project, the outcome of the Santa Ana USD Case has little impact. After the passage of AB 1290, Section 33676 was amended such that the 2 Percent Allocation was eliminated and made applicable only to redevelopment plans (or territory-adding amendments) adopted before December 31, 1993. Therefore, the ruling in the Santa Ana USD Case affects only project areas that were formed (or territories that were added to project areas) on or after the effective date of the 1984 amendment to Section 33676(a) (*i.e.*, January 1, 1985) and before the effective date of AB 1290 (*i.e.*, January 1, 1994). Furthermore, the pre-AB 1290 Section 33676(a) provided that a taxing entity is eligible to receive the 2 Percent Allocation only if the entity does not have a tax sharing agreement with the redevelopment agency. The Agency has entered into Tax Sharing Agreements with the affected school districts and community college districts with respect to each component area of the Merged Project, except for OUSD and two community college districts (the Rancho Santiago Community College ("RSCCD") and the North Orange County Community College District ("NOCCCD")) with respect to the Southwest Amendment No. 1 Area. (Two other taxing entities, the Orange County Department of Education and the City formally made elections to receive a share of their 2 Percent Allocations before the adoption of Southwest Amendment No. 1. See "LIMITATIONS ON TAX REVENUES – Section 33676 Reductions.") None of OUSD, RSCCD or NOCCCD made the election to receive the 2 Percent Allocation prior to the time that the Southwest Amendment No. 1 Area was added. OUSD's claim against the Agency is limited to tax increment revenues received by the Agency for the Southwest Amendment No. 1 Area.

Because OUSD has not entered into any tax sharing agreements with the Agency with respect to the Southwest Amendment No. 1 Area, OUSD argues that, pursuant to the ruling in the Santa Ana USD Case, OUSD should have received its share of the 2 Percent Allocation for the Southwest Amendment No. 1 Area commencing in the fiscal year following the year the Southwest Amendment No. 1 Area was added. Therefore, OUSD is seeking to recover its 2 Percent Allocation for each year from fiscal years 1987-88 through 2000-01. (Since fiscal year 2001-02, the County has been automatically making the 2 Percent Allocations on a prospective basis to school districts and community college districts when apportioning property taxes for all affected project areas in the County in light of the Santa Ana USD Case.) The total amount of OUSD's claim, including interest, comes to approximately $3 million, according to estimates by OUSD's consultant.

The Agency disputes OUSD's claim on various grounds. The Agency is engaged in on-going discussions with OUSD in an attempt to resolve this matter. While the Agency believes that its position is correct, no assurances can be given that the matter will be ultimately resolved in the Agency's favor. In March 2003, the Agency received a letter written on behalf of RSCCD and NOCCCD. The letter indicated that RSCCD and NOCCCD wished to begin a discussion with the Agency regarding the recovery of their 2 Percent Allocations. The letter asserted that RSCCD is entitled to recover a total of $180,000 from the Agency for fiscal years 1998-99 through 2000-01 and NOCCCD is entitled to recover a total of $2,041 from the Agency for the same years. As of the printing of this Official Statement, RSCCD and NOCCCD have not formalized their respective claims. In the tax increment revenue projections presented in this Official Statement and in the report set forth in Appendix B, the Fiscal

Consultant has not taken into account the potential impact of an unfavorable resolution of the claim by OUSD and the potential claims by RSCCD and NOCCCD. See "LIMITATIONS ON TAX REVENUES – Section 33676 Reductions" for further discussion on the effect of Section 33676 on the Agency's tax increment revenue receipts with respect to the Southwest Amendment No. 1 Area.

Development Risks

Generally, the Agency's ability to pay debt service on the Bonds will depend on the economic strength of the Merged Project. The general economy of the Merged Project will be subject, in part, to the development risks generally associated with real estate development projects. Projected development within the Merged Project may be subject to unexpected delays, disruptions and changes. For example, real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market, fluctuations in interest rates, unexpected increases in development costs and by other factors. Further, real estate development operations within the Merged Project could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Merged Project is delayed or halted, the economy of the Merged Project could be adversely affected, causing a reduction of the Tax Revenues available to pay debt service on the Bonds.

Levy and Collection

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to make debt service payments on the Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments on the Bonds. The Agency is not a participant in the County's Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly referred to as the "Teeter Plan"). The County currently allocates tax increment revenues to the Agency based upon the tax increment actually collected. See "LIMITATIONS ON TAX REVENUES – County Tax Allocation Procedures Applicable to the Agency."

ERAF; State Budget Deficit

In connection with its approval of the budget for the 1992-93, 1993-94 and 1994-95 fiscal years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion or each agency's tax increment, net of amounts due to other taxing agencies, to school districts for deposit in the Education Revenue Augmentation Fund ("ERAF"). The amount required to be paid by a redevelopment agency for each such fiscal year was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas. Faced with a projected $23.6 billion budget gap for fiscal year 2002-03, the State Legislature adopted and sent to the Governor of the State AB 1768, as urgency legislation, requiring redevelopment agencies to pay into ERAF an aggregate amount of $75 million in fiscal year 2002-03. As a result, the Agency paid $438,154 into ERAF in fiscal year 2002-03 as its share of such $75 million.

As of the third quarter of 2003, the State of California continues to experience severe financial and budgetary stress. In May 2003, the Governor raised the projected deficit for fiscal year 2003-04 from $34.6 billion to $38.2 billion. On August 2, 2003, the Governor signed AB 1765, the main State budget bill for fiscal year 2003-04. AB 1765 attempts to eliminate the deficit through a combination of program cuts, fund shifts and borrowings. According to a report issued by the State Legislative Analyst's Office, the State's fiscal year 2003-04 budget, as enacted, is still expected to result in an $8 billion deficit.

SB 1045, a "trailer bill" to AB 1765, contains a provision for a $135 million shift from redevelopment agencies to ERAF for fiscal year 2003-04. SB 1045 was passed by the State Assembly on July 29, 2003 and, on August 19, 2003, the State Senate concurred. The Agency's share of the $135 million ERAF shift for fiscal year 2003-04 is estimated to be approximately $720,374. SB 1045 provides that an agency may borrow up to 50 percent of that amount from moneys in the Housing Set-Aside Fund (see "LIMITATIONS ON TAX REVENUES – Housing Set-Aside" below). At this time, the Agency does not intend to make such a borrowing and plans to pay the entire amount from other available sources.

There can be no assurances that the State's financial condition will improve. The Agency cannot predict the impact current and future State fiscal shortfalls will have on the tax increment revenues to the Agency. Information about the State budget is regularly 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*, 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*. In addition, a list of various State of California official statements, many of which contain a summary of current and past State budgets may be found at the website of the State Treasurer, *www.treasurer.ca.gov*. The above-mentioned websites are included herein for informational purposes only. The Agency does not take any responsibility for the accuracy or timeliness of information posted on such websites or the continued maintenance of such websites by the respective entities.

Property Tax Appeals

As of February 14, 2003, there have been 500 assessment appeals filed by landowners within the Merged Project for the period commencing with the 1998-99 fiscal year and continuing to the 2002-03 fiscal year (inclusive). Of the 397 appeals resolved as of February 2003, 72 resulted in changes in value. There are 103 appeals from this period currently pending. See "THE MERGED PROJECT – Assessment Appeals." For the Tax Revenues projections presented in this Official Statement and in the Fiscal Consultant's Report, the Fiscal Consultant has factored in a reduction resulting from assessment appeals. Such reduction is calculated based on the historical appeals data from 1998-99 through 2002-03. There is no assurance that the actual future reductions to tax increment revenues as the result of assessment appeals will correspond with the Fiscal Consultant's projections. Any reduction of assessed valuations greater than those estimated by the Fiscal Consultant could result in a reduction of the Tax Revenues from those projected in the Fiscal Consultant's Report, which in turn could impair the ability of the Agency to make payments of principal of and/or interest on the Bonds when due.

Additional Financing

Following the issuance of the Bonds, the Agency may issue one or more additional series of bonds and/or notes in an aggregate principal amount which (when added to the Bonds and the Tustin Street 1997 Bonds) do not exceed the limitations set forth in the Redevelopment Plan. See "LIMITATIONS ON TAX REVENUES – Plan Limitations." Subject to compliance with the limitations of the Indenture, such obligations may be issued on a parity with or subordinate to the Bonds. See "SECURITY FOR THE BONDS – Issuance of Parity Bonds" and "– Issuance of Subordinated Debt."

Seismic Considerations

The City, like most California communities, may be subject to unpredictable seismic activity. There is no evidence that a ground surface rupture will occur in the event of an earthquake, but there is significant potential for destructive ground-shaking during the occurrence of a major seismic event. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event. The City is located in a high impact seismic zone. In the event of a severe earthquake, there may be significant damage to both property and infrastructure in the Merged Project. As a result, the value of taxable land in the Merged Project could be diminished in the aftermath of such an earthquake, through appeals, thereby reducing the amount of Tax Revenues.

Hazardous Substances

Another environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of a hazardous substance that would limit the beneficial use of a property within the Merged Project. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Merged Project be affected by a hazardous substance would be to reduce the marketability and value of the property by the costs of remedying the condition, causing a reduction of the Tax Revenues available to pay debt service on the Bonds.

Enforceability of Remedies

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

Investment of Funds

The Reserve Account and all other funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See "APPENDIX E – SUMMARY OF INDENTURE." All investments, including Permitted Investments, authorized by law from time to time for investments by redevelopment agencies contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture, or the funds and accounts held by the Agency could have a material adverse effect on the security for the Bonds and/or the financial condition of the Agency.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2003A Bonds, the Agency has covenanted in the Indenture to comply with each applicable requirement of Section 148 and certain other sections of the Internal Revenue Code of 1986, as amended, relative to arbitrage and avoidance of characterization as private activity bonds, among other things. The interest on the Series 2003A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Series 2003A Bonds as a result of acts or omissions of the Agency in violation of covenants in the Indenture. Should such an event of taxability occur, the Series 2003A Bonds are not subject to acceleration, redemption or any increase in interest rates and will remain Outstanding until maturity or until redeemed under one of the redemption provisions contained in the Indenture. See "TAX MATTERS."

Secondary Market

There can be no assurance 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, pricing of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could substantially differ from the original purchase price.

LIMITATIONS ON TAX REVENUES

Property Tax Limitations - Article XIIIA

California voters, on June 6, 1978, approved an amendment (commonly referred to as "Proposition 13" or the "Jarvis-Gann Initiative") to the California Constitution. This amendment, which added Article XIIIA 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 two percent 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. See "APPENDIX B - REPORT OF FISCAL CONSULTANT."

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

In the general election held on November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amended Article XIIIA. Proposition 58 amended Article XIIIA to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, 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 amended Article XIIIA 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.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in certain other minor or technical ways. See "BONDOWNERS' RISKS -- Reduction in Taxable Value; Plan Limitations."

Challenges to Article XIIIA

California trial and appellate courts have upheld the constitutionality of Article XIIIA's assessment rules in three significant cases. The United States Supreme Court in an appeal to one of these cases upheld the constitutionality of Article XIIIA's tax assessment system. 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 Revenues should a future decision hold unconstitutional the method of assessing property.

Implementing Legislation

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based on their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in California no longer record property values on tax rolls at the assessed value of 25 percent of market value, which was expressed as $4.00 per $100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1.00 per $100 of taxable value. Unless otherwise noted, all taxable property value included in this Official Statement is shown at 100 percent of market value and all tax rates reflect the $1 per $100 of taxable value.

Proposition 87

Under prior State law, if a taxing entity increased its tax rate to obtain revenues to repay voter approved general obligation bonds, any redevelopment project area which included property affected by the tax rate increase would realize a proportionate increase in tax increment.

Proposition 87, approved by the voters of the State on November 8, 1993, requires that all revenues produced by a tax rate increase (approved by the voters on or after January 1, 1989) go directly to the taxing entity which increases the tax rate to repay the general obligation bonded indebtedness. As a result, redevelopment agencies no longer receive an increase in tax increment when taxes on property in the project area are increased to repay voter approved general obligation debt.

Appropriations Limitations: Article XIIIB of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution. Article XIIIB limits 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. The "base year" for establishing such appropriations limit is the 1978-79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Effective November 1980, the California Legislature added Section 33678 to the Redevelopment Law. Section 33678 provides that the allocation of tax increment revenues 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 XIIIB, nor shall such portion of taxes be deemed receipt 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. On the basis of these court decisions, the Agency does not believe it is subject to Article XIIIB and has not adopted an appropriations limit.

Unitary Taxation of Utility Property

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

AB 454 (Statutes of 1987, Chapter 921) further modifies Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the one percent tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to 102 percent of its prior year State-assessed unitary revenues; and if county-wide revenues generated for unitary property are greater than 102 percent of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenues generated from the application of the debt service tax rate to county wide unitary taxable value, further, each jurisdiction will receive a percentage share of revenues based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenues generated from the property assessed by the State Board of Equalization. The County Auditor-Controller remitted $216,159 in unitary revenues to the Agency for the Merged Project during the 2002-03 fiscal year. In its report set forth in Appendix B, the Fiscal Consultant has assumed that the utility tax revenues will remain constant in future years.

Housing Set-Aside

The Redevelopment Law requires each redevelopment agency to set-aside 20 percent of all tax increment revenue allocable to the agency (such amounts being referred to herein as the "Housing Set-Aside") derived from redevelopment project areas in the Housing Set-Aside Fund. This low and moderate income housing requirement could be reduced or eliminated if a redevelopment agency finds that: (1) no need exists in the community to improve or increase the supply of low and moderate income housing; and (2) that some stated percentage less than 20 percent of the tax increment is sufficient to meet the housing need. No such findings have been made by the Agency.

Generally, Housing Set-Aside amounts are not available for payments of debt service on a redevelopment agency's bonds or other indebtedness. However, to the extent that a portion of the sale proceeds of a bond issue is deposited in the Housing Set-Aside Fund, the agency may pay a proportionate amount of the debt service on such bonds from the Housing Set-Aside amount. Because the Agency has allocated 20 percent of the proceeds of the Tustin Street 1997 Bonds and the bonds refunded by the Refunded Bonds to the Housing Set-Aside Fund, the Agency is permitted to pay up to 20 percent of the debt service on the Tustin Street 1997 Bonds and the Bonds from the Housing Set-Aside amount each year. In the past, the Agency has used Housing Set-Aside to pay 20 percent of debt service on the Tustin Street 1997 Bonds and the Refunded Bonds each year. The Agency plans to continue to use Housing Set-Aside to pay 20 percent of debt service on the Tustin Street 1997 Bonds and the Bonds in the coming years. For the purposes of showing debt service coverage in Table 8 of this Official Statement, "Projected Tax Revenues" include a portion of the Housing Set-Aside, equaling 20 percent of the total debt service on the Tustin Street and the Bonds. (In contrast, the net tax increment revenues projections in Table 7 of this Official Statement and Tables 2 and 3 of the Fiscal Consultant's Report do not take account into that the Agency may use a portion of the Housing Set-Aside for debt service. See Appendix B.)

As discussed under the caption "BONDOWNERS' RISKS – ERAF; State Budget Deficit," SB 1045 authorizes a redevelopment agency to borrow up to 50 percent of the amount it is required to pay into ERAF for fiscal year 2003-04 from moneys in the Housing Set-Aside Fund. At this time, the Agency does not plan to make any such borrowing.

The provisions of the Redevelopment Law regarding the funding of low and moderate income housing funds have been frequently amended since their original adoption. In addition, the interpretations of these laws by the California Attorney General and redevelopment agency counsels throughout the State have at times been subject to variation and change. The Agency cannot predict what impact any future amendment to the laws relating to low and moderate income housing funds may have on tax increment revenues to the Agency. Also see "APPENDIX B – REPORT OF FISCAL CONSULTANT – Low and Moderate Income Housing Set-Aside."

Property Tax Collection Procedures

Classifications. In California, property that is subject to *ad valorem* taxes is classified as "secured" or "unsecured." Secured and unsecured property is 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 that 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 in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recording 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 that are delinquent.

Delinquencies. 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 January 1 and become delinquent on the succeeding August 31.

Penalties. A 10 percent penalty is added to delinquent taxes that have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of one percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10 percent penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of one percent per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Supplemental Revenue. 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 (March 1 was used as the lien date as of the enactment of Chapter 498; however, as discussed herein, the lien date was changed by legislation enacted in 1995) 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 provides 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 lien date. To the extent such supplemental assessments occur within the Merged Project, Tax Revenues may increase. The receipt of supplemental tax increment revenues by taxing entities typically follow the change of ownership by a year or more. The Fiscal Consultant has not included such revenues resulting from such supplemental assessment in its projections.

County Tax Allocation Procedures Applicable to the Agency

Tax Increment Revenues and Receipts. According to the County's current practice, the County disburses payments of tax increment collected for the Merged Project to the Agency in installments between December and July each year. Generally, each year, the Agency receives 50 percent of the annual tax increment revenues by mid-January and 85 percent by mid-May.

Computed tax increment revenues received by the Agency for the Merged Project in each fiscal year for 1997-98 through 2002-03 are shown in the table on p. 9 of "APPENDIX B – REPORT OF FISCAL CONSULTANT." The County apportions tax revenues to redevelopment agencies based on the amount of the tax levy that is received from the taxpayers. The tax increment revenue projections shown in Tables 7 and 8 of this Official Statement and in the Fiscal Consultant's Report do not include any adjustment for delinquencies or collection history.

County Collection Charge. As permitted by legislation enacted by the State Legislature (SB 2557 and AB 1924), the County retains a collection charge from tax increment revenues disbursed to the Agency in order to recover charges for property tax administration. For fiscal year 2001-02 and fiscal year 2002-03, the County retained $126,871 and $146,679, respectively, from the Agency as administrative and collection charges attributable to the Merged Project. The tax increment revenue projections presented in Tables 7 and 8 and in the tables in the Fiscal Consultant's Report in Appendix B assume that the County's administrative charge will remain constant at approximately 0.928 percent of the adjusted gross tax revenues of the Agency.

Base Year Valuation Adjustments. The Redevelopment Law provides that the base assessment roll utilized for the allocation of tax increment revenues may be reduced by the taxable value, as shown on the base roll, of those properties acquired for public use of tax exempt public entities. The precedent for this action stems from the 1963 case of *Redevelopment Agency of the City of Sacramento vs. Malaki*, 216 Cal. App. 2d 480, and subsequent, related cases. The tax increment revenue projections shown in Tables 7 and 8 and in the tables in the Fiscal Consultant's Report in Appendix B assumes that the base year value for the Merged Project remains at the level reported by the County for the 2002-03 fiscal year.

Certification of Agency Indebtedness

A significant provision of the Redevelopment Law, Section 33675, was added by the Legislature in 1976, providing for the filing not later than the first day of October of each year with the county auditor, a statement of indebtedness certified by the chief fiscal officer of the agency for each redevelopment project which receives tax increments. The statement of indebtedness is required to contain the date on which any bonds were delivered, the principal amount, term, purpose and interest rate of such bonds and the outstanding balance and amount due on such bonds. Similar information must be given for each loan, advance or indebtedness that the agency has incurred or entered into to be payable from tax increment.

Section 33675 also provides that the county auditor is limited in payment of tax increment to the agency to the amounts shown on the agency's statement of indebtedness. Section 33675 further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the agency, but that the county auditor may dispute the amount of indebtedness shown on the statement in certain cases. Provision is made for time limits under which the dispute can be made by the county auditor as well as provisions for determination by the Superior Court in a declaratory relief action of the proper disposition of the matter. The issue in any such action will involve only the amount of the indebtedness and not the validity of any contract or debt connection with payments by such public agency pursuant thereto. An exception is made for payments to a public agency in connection with payment by such agency pursuant to a bond issue that shall not be disputed in any action under Section 33675. Therefore, the Bonds should be entitled to the protection of that portion of the statute so that they cannot be disputed by the County auditor.

The Agency has met all previous requirements with respect to the filing of its statement of indebtedness pursuant to Section 33675. To date, the County Auditor has never disputed the amounts reported by the Agency in its Section 33675 statement of indebtedness filings.

Plan Limitations

The Redevelopment Law contains certain time limits for the duration and effectiveness of a redevelopment plan. The Redevelopment Law also imposes a limit on the aggregate amount of tax increment revenues which may be allocated to a redevelopment agency pursuant to its redevelopment plan (except for any plan or territory-adding amendment adopted on or after January 1, 1994) and a time limit on the incurrence of indebtedness to finance its redevelopment projects. In the past three decades, the provisions of the Redevelopment Law pertaining to these limits have undergone a number of amendments, including as the result of AB 1290 in 1994 and SB 211 in 2001.

Generally, under Section 33333.6 of the Redevelopment Law, a redevelopment plan (or an amendment that added territory to a project area) adopted before 1994, is subject to the following limits: (1) the duration and effectiveness of the existing redevelopment plan (or amendment) shall not exceed 40 years from the date of its adoption or January 1, 2009, whichever is later; and (2) a redevelopment agency shall not pay indebtedness with tax increment revenues from the project area (or added territory) beyond 10 years after its redevelopment plan (or amendment) expires, except to fund deferred housing set-aside requirements of the Redevelopment Law and to repay indebtedness incurred prior to January 1, 1994. (Before January 1 2002, Section 33333.6 also required that the time limit for establishing indebtedness shall not exceed 20 years from the adoption of the redevelopment plan (or amendment) or January 1, 2004, whichever is later. SB 211 eliminated this requirement.) Before SB 211, Section 33333.6 also permitted an up-to-10 year extension to each of these limits by an amendment to the redevelopment plan upon certain findings by the redevelopment agency. With respect the Merged Project, only the Southwest Amendment No. 3 Area was added after December 31, 1993, and therefore is not subject to the aforementioned limitations. When the Redevelopment Plan for the Merged Project was adopted in 2001, the Agency made the necessary findings under the former Section 33333.6 and extended the time limit for incurring debt for the Tustin Street Original Area, the Tustin Street Amendment No. 1 Area, the Southwest Original Area, the Southwest Amendment No. 1 Area, the Southwest Amendment No. 2 Area and the Northwest Area, respectively.

Under Section 33333.2 of the Redevelopment Law, a redevelopment plan (or an amendment that added territory) adopted on or after January 1, 1994, such as Southwest Amendment No. 3, must contain the following limitations, except to the extent necessary to comply with certain provisions of the Redevelopment Law pertaining to the Housing Set-Aside: (1) the life of the redevelopment plan (or amendment) shall not exceed 30 years from the date of adoption; (2) the time limit for establishing indebtedness shall not exceed 20 years from the adoption of the redevelopment plan (or amendment), unless extended by amendment under certain limited conditions, and (3) a redevelopment agency shall not pay indebtedness with tax increment revenues from the project area (or added territory) beyond 45 years from the adoption of the redevelopment plan (or amendment).

The table below shows the Plan Limitations for the plan expiration dates, the time limits to incur debt and the time limits on payment of indebtedness with tax increment revenues for each component of the Merged Project as set forth in the Redevelopment Plan:

TABLE 12

Orange Redevelopment Agency
Orange Merged and Amended Redevelopment Project Area
Redevelopment Plan Time Limit Summary

Component of Merged Project	Plan Expiration	Time Limit to Incur Debt	Last Date to Repay Debt with Tax Increment
Tustin Street Original Area	December 6, 2023	December 6, 2013	December 6, 2033
Tustin Street Amendment No. 1 Area	June 21, 2028	June 21, 2018	June 21, 2038
Southwest Original Area	November 20, 2024	November 20, 2014	November 20, 2034
Southwest Amendment No. 1 Area	July 15, 2026	July 15, 2016	July 15, 2036
Southwest Amendment No. 2 Area	July 5, 2028	July 5, 2018	July 5, 2038
Southwest Amendment No. 3 Area	July 9, 2026	July 9, 2016	July 9, 2041
Northwest Project Area	June 28, 2028	June 28, 2018	June 28, 2038

The bonded debt limit for the Merged Project, as a whole, is $1.5 billion.

The tax increment revenues allocable to the Agency from the Tustin Street Original Area, the Tustin Street Amendment No. 1 Area, the Southwest Original Area, the Southwest Amendment No. 1 Area, the Southwest Amendment No. 2 Area and the Northwest Project Area, are subject to a net aggregate limit of $3.3 billion. The tax increment paid to affected taxing entities pursuant to Sections 33401, 33445, 33607.5 and 33607.7 of the Redevelopment Law is excluded from this limit. There is no tax increment cap for the Southwest Amendment No. 3 Area. The table below shows the tax increment revenues received by the Agency through tax year 2002-03, based on reports by the County:

TABLE 13

Orange Redevelopment Agency
Orange Merged and Amended Redevelopment Project Area
Tax Increment Revenues Received
as of July 31, 2003

Component of Merged Project	Tax Increment Revenues Received
Tustin Street Original Area	$17,579,522
Tustin Street Amendment No. 1 Area	5,330,341
Southwest Original Area	27,924,405
Southwest Amendment No. 1 Area	32,092,605
Southwest Amendment No. 2 Area	14,912,798
Northwest Project Area	49,687,749
SUBTOTAL (1)	$147,527,419
Southwest Amendment No. 3 Area	117,207
TOTAL	$147,644,627

(1) As indicated above, the Southwest Amendment No. 3 Area is not subject to a tax increment cap.

Source: GRC Associates / City of Orange Finance Department. See page 6 of the Fiscal Consultant's Report in Appendix B.

The Agency has covenanted under the Indenture to manage its fiscal affairs in a manner which enables it to comply with the Plan Limitations, and not to issue any bonds, notes on other obligations which would cause the Plan Limitations to be exceeded or violated.

Section 33676 Reductions

As discussed above under "BONDOWNERS' RISKS – Claim by Orange Unified School District," since fiscal year 2001-02, in light the Santa Ana USD Case, the County has been automatically making 2 Percent Allocations under Section 33676 of the Redevelopment Law to the affected school and community college districts for the Southwest Amendment No. 1 Area (*i.e.*, OUSD, RSCCD and NOCCCD) on a prospective basis. In addition, the City of Orange and the Orange County Department of Education have made elections under the former Section 33676(a) to receive their share of 2 Percent Allocations for the Southwest Amendment No. 1 Area. These allocations, in effect, reduce the tax increment revenues that the Agency receives for the Southwest Amendment No. 1 Area.

An unsettled area of law is whether a taxing entity may concurrently receive the 2 Percent Allocation under Section 33676 and the statutory pass-through payments under Section 33607.5 (see "THE MERGED PROJECT -- Section 33607.5 Pass-Through Payments"). One interpretation of the law is that one is in lieu of the other. With respect to the Merged Project, a question arises as to whether, beginning in fiscal year 2007-08 (the first year in which the Agency will be obligated to make Section 33607.5 Payments for the Southwest Amendment No. 1 Area), the City, the Orange County Department of Education, OUSD, RSCCD and NOCCCD will be entitled to receive both the 2 Percent Allocations and the Section 33607.5 Payments. For the tax increment revenue projections shown herein and in the report set forth in Appendix B, the Fiscal Consultant has assumed that these taxing entities will receive both the 2 Percent Allocations and the statutory pass-through payments. However, the County has informed the Agency that, as of the date of this Official Statement, the County intends to continue to apportion the 2 Percent Allocations to these taxing entities in and after fiscal year 2007-08, but will not consider them eligible for Section 33607.5 Payments. The Agency has not been informed whether the affected taxing entities agree with the County's position. No assurances can be given that the County will not change this policy in the future.

TAX MATTERS

Series 2003A Bonds

In the opinion of Best Best & Krieger LLP, Riverside, California ("Bond Counsel"), based upon an analysis of existing statutes, regulations, rulings and court decisions, interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "1986 Code"). Bond Counsel is further of the opinion that interest on the Series 2003A Bonds is not treated as an item of tax preference for purposes of the individual and corporate alternative minimum taxes. Interest on the Series 2003A Bonds, however, is included in the "adjusted current earnings" of certain corporations, and the alternative minimum taxable income of such corporations must be increased by 75 percent of the excess of the "adjusted current earnings" of such corporations over the alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses) of such corporations.

The 1986 Code and other applicable tax law impose various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on or with respect to obligations such as the Series 2003A Bonds. The Agency has covenanted to comply with certain restrictions designed to ensure that interest with respect to the Series 2003A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2003A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of delivery of the Series 2003A Bonds may affect the tax status of interest on the Series 2003A Bonds.

The receipt of interest on the Series 2003A Bonds may otherwise affect an Owner's income tax liability. The nature and extent of these other tax consequences will depend upon the Owner's particular tax status and the Owner's other items of income and deduction. Bond Counsel expresses no opinion regarding such consequences. Purchasers of the Series 2003A Bonds, particularly purchasers that are corporations (including S corporations, and United States branches of foreign corporations), property and casualty insurance companies, banks, thrifts or other financial institutions, recipients of Social Security or Railroad Retirement benefits, or taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors concerning their tax consequences of purchasing and holding the Series 2003A Bonds.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2003A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Series 2003A Bonds issued prior to enactment. Each purchaser of the Series 2003A Bonds should consult his or her tax advisor regarding any pending or proposed federal legislation. Bond Counsel express no opinion regarding any pending or proposed federal tax legislation.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Series 2003A Bond or interest with respect thereto if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Bond Counsel.

In the opinion of Bond Counsel, under existing law, interest on the Series 2003A Bonds is exempt from California personal income tax.

Although Bond Counsel will render an opinion that interest on the Series 2003A Bonds is excluded from federal gross income and that interest on the Series 2003A Bonds is exempt from California personal income tax, the accrual or receipt of interest on the Series 2003A Bonds may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the Owner's particular tax status and the Owner's other items of income or deduction. Bond Counsel express no opinion regarding any such other tax consequences.

A complete copy of the proposed form of opinion of Bond Counsel with respect to the Series 2003A Bonds is set forth in Appendix D hereto.

Series 2003B Bonds

In the opinion of Bond Counsel, based upon an analysis of existing statutes, regulations, rulings and court decisions, interest on the Series 2003B Bonds is exempt from State of California personal income tax. NO ATTEMPT HAS BEEN MADE OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATIVE TO THE EXCLUSION FROM GROSS INCOME FOR FEDERAL TAX PURPOSES OF INTEREST ON THE SERIES 2003B BONDS, AND INTEREST ON THE SERIES 2003B BONDS WILL BE SUBJECT TO ALL APPLICABLE FEDERAL TAXATION. A complete copy of the proposed form of opinion of Bond Counsel with respect to the Series 2003B Bonds is set forth in Appendix D hereto.

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates has acted as financial advisor to the Agency concerning the Bonds. As financial advisor, Fieldman, Rolapp & Associates will receive compensation contingent upon the sale and delivery of the Bonds.

FISCAL CONSULTANT

The Agency has retained the firm of GRC Associates, Inc. to act as fiscal consultant (the "Fiscal Consultant") for the Agency on the Merged Project. The full text of the Fiscal Consultant's Report is attached hereto as "APPENDIX B." The Fiscal Consultant's compensation is not contingent upon the sale and delivery of the Bonds.

RATINGS

Standard & Poor's ("S&P") has assigned a rating of "AAA" to the Bonds, conditioned on the issuance by the Bond Insurer of the Bond Insurance Policy at the time of delivery of the Bonds. In addition, S&P has assigned an underlying rating of "A-" to the Bonds based on its assessment of the Agency's ability to make payments with respect to the Bonds without giving effect to the Bond Insurance Policy. Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings may 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. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Agency has awarded the Series 2003A Bonds to Citigroup Global Markets Inc. (acting for itself, UBS Financial Services Inc. and RBC Dain Rauscher Inc. (collectively, the "Series 2003A Underwriters")) and the Series 2003B Bonds to Wachovia Bank, National Association (the "Series 2003B Underwriter," and together with the Series 2003A Underwriters, the "Underwriters") in a competitive sale held on September 16, 2003. The Series 2003A Underwriters have agreed, subject to certain conditions, to purchase the Series 2003A Bonds at a purchase price of $45,694,554.25, which includes a net original issue discount of $28,061.90 and an underwriters' discount of $192,383.85. The Series 2003B Underwriter has agreed, subject to certain conditions, to purchase the Series 2003B Bonds at a purchase price of $11,119,735.00, which includes an underwriter's discount of $50,265.00. There is no original issue premium or discount with respect to the Series 2003B Bonds. The Underwriters intend to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

NO LITIGATION

There is no litigation pending or, to the Agency's knowledge, threatened 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, except as otherwise described herein, there are no lawsuits or claims pending against the Agency which will materially affect the Agency's finances as to impair the ability to pay principal of and interest on the Bonds when due.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Execution and delivery of the Bonds will be subject to the delivery by Causey Demgen & Moore Inc., Denver, Colorado, of a report of the mathematical accuracy of certain computations, contained in schedules provided to them by the Financial Advisor, relating to (a) the adequacy of the maturing principal amounts of the United States government obligations held under the Escrow Agreement, interest earned thereon and certain other uninvested cash to pay principal of and interest with respect to the Refunded Bonds, and (b) the computations of actuarial yields relied upon by Bond Counsel to support its conclusion that Bonds are not arbitrage bonds within the meaning of Section 148 of the Code.

LEGAL MATTERS

The legality of the issuance of the Bonds is subject to the approval of Best Best & Krieger LLP, Riverside, California, Bond Counsel. Bond Counsel's opinions with respect to the Series 2003A Bonds and the Series 2003B Bonds will be substantially in the forms set forth in APPENDIX D of this Official Statement. Fees payable to Bond Counsel are contingent upon successful sale and delivery of the Bonds.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the Agency has undertaken for the benefit of holders of the Bonds to provide certain financial information and operating data relating to the Agency by not later than nine months after the end of each Fiscal Year commencing with the report for the 2002-03 fiscal year (the "Annual Information"), and to provide notices of the occurrence of certain enumerated events, if deemed by the Agency to be material. The Annual Information will be filed by the Agency, with each Nationally Recognized Municipal Securities Information Repository (the "NRMSIRS") and with the State Information Depository (the "State Depository"), if any. Notices of material events will be filed by or on behalf of the Agency with the NRMSIRS or the Municipal Securities Rulemaking Board (the "MSRB") and with the State Depository, if any. The nature of the information to be provided in the Annual Information and the notices of material events is set forth under the caption "APPENDIX G – FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Agency has met all previous filing requirements under other such continuing disclosure certificates or agreements.

MISCELLANEOUS

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

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

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

ORANGE REDEVELOPMENT AGENCY

By: /s/ David L. Rudat
Executive Director

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APPENDIX A

SUPPLEMENTAL INFORMATION ON THE CITY OF ORANGE

The following information concerning the City of Orange and surrounding areas is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City of Orange, the State of California or any of its political subdivisions, and none of the City, the State or any of its political subdivisions is liable therefor.

All of the tables presented in this Appendix A have been replicated from the City's Comprehensive Annual Financial Report for Year Ended June 30, 2002. Such report, in its entirety, may be found at the City's website: www.cityoforange.com.

General

The City of Orange (the "City") is located in the center of Orange County approximately 32 miles southeast of Los Angeles and 94 miles north of San Diego. The City encompasses an area of approximately 28 square miles with an average elevation of 197 feet above sea level. Incorporated on April 6, 1888 as a general law city, the City currently functions under a Council/Manager form of government. A five member City Council, including the Mayor, is elected at large. The City Treasurer and City Clerk are also elected at large. The City currently employs approximately 679 permanent employees and 215 temporary and part-time employees.

Demographic Information

The City's population was 134,500 as of January 1, 2003, according to the California State Department of Finance's estimates. The table below shows certain demographic information pertaining to the City from fiscal years 1993-94 through 2002-03:

City of Orange
Demographic Statistics
Fiscal Years 1994 through 2003

Year	Population	Housing Units	Public School Enrollment	Unemployment Rate
1994	116,700	39,154	14,923	5.5%
1995	118,105	39,411	15,327	5.2
1996	119,742	39,742	15,759	4.1
1997	123,105	40,649	16,623	3.2
1998	125,065	41,018	16,958	3.1
1999	127,603	41,375	17,324	2.4
2000	129,399	41,624	16,958	2.6
2001	132,826	41,904	17,450	3.0
2002	132,947	41,996	17,423	3.8

Source: Population – State of California, Department of Finance.
Housing Units – City of Orange Community Development Department.
Public School Enrollment – Orange County Unified School District.
Unemployment Rate – State of California Employment Development Department.

Commerce

The following tables present taxable transactions in the City for calendar years 1997 through 2001 and summary of banks and related deposits in the City for fiscal years 1996-97 through 2000-01.

City of Orange
Summary of Taxable Sales by Category
Calendar Years 1997-2001 (1)
(in Thousands of Dollars)

Sales	1997	1998	1999	2000	2001
Retail Stores:					
Apparel Stores	$ 28,068	$ 38,022	$ 66,954	$ 70,537	$ 78,878
General Merchandise	125,724	153,107	166,959	173,777	179,905
Food Stores	67,383	70,553	75,340	76,733	78,092
Eating and Drinking Places	135,699	151,418	194,373	212,462	223,386
Home Furnishings and Appliances	63,662	73,650	80,084	80,047	80,341
Building Materials and Farm Tools	167,818	179,159	191,989	185,928	178,927
Auto Dealers and Supplies	243,186	255,314	310,583	372,844	500,056
Service Stations	75,137	63,632	84,634	101,837	101,485
Other Retail Stores	212,798	229,400	284,554	296,103	345,256
Subtotal	$1,119,475	$1,214,255	$1,455,470	$1,570,268	$1,766,326
All Other Outlets	689,353	701,166	673,160	766,623	630,620
Total	$1,808,828	$1,915,421	$2,128,630	$2,336,891	$2,396,946

(1) Do not include sales that are allocated to County-wide and State-wide pools.

Source: California State Board of Equalization and HdL Companies.

City of Orange
Summary of Bank and Related Deposits
Fiscal Years 1997-2001
(In Thousands of Dollars)

Fiscal Year	Bank Deposits	Savings and Loan Deposits	Credit Union Deposits	Total Deposits
1997	$1,507,461	$767,791	$75,290	$2,350,542
1998	1,966,699	734,986	77,680	2,779,365
1999	1,819,942	608,438	85,901	2,514,281
2000	1,396,537	563,054	87,092	2,046,683
2001	1,448,692	545,311	91,457	2,085,460

Source: The Findley Reports.

Major Area Employers

The following table lists the major area employers in the City.

City of Orange
Major Area Employers

Company	Product/Service	Full-Time Employees
Manufacturing:		
Varco International Inc.	Oil & Gas Field Machinery	600
West American Rubber Company LLC	Fabricated Rubber Products	500
SKB Corporation	Plastics Products	350
Neuvant Aerospace Corp	Nonferrous Forgings	280
Foamex	Fabricated Rubber Products	250
Subron Dental Specialties Inc.	Dental Equipment and Supplies	250
Hamilton Materials Inc.	Gypsum Products	200
Marcel Electronics	Printed Circuit Boards	200
Data Aire Inc.	Refrigeration & Heating Equipment	150
Duocommun Aerostructures	Space Vehicle Equipment	150
Non-manufacturing:		
St. Joseph Hospital	General Hospitals	3,100
UCI Medical Group	General Hospitals	2,950
Universal Protection	Security Systems	1,500
Ameriquest Mortgage Co.	Mortgage Bankers & Correspondents	1,000
Chapman University	Colleges and Universities	800
Long Beach Mortgage	Mortgage Bankers & Correspondents	800
City of Orange	Municipal Government	700
Orange County Transportation Auth.	Regulation of Transportation	600
Amerisourcebergen Drug Co.	Drugs/Proprietaries/Sundries	600
Santiago Canyon College	Colleges and Universities	500

Source: Inside Prospects of California.

Construction Activity

The following is a summary of construction permits issued in the City from fiscal years 1997-98 through 2001-02.

City of Orange
Construction Permits
Fiscal Years 1998-2002

	Residential		Commercial		Miscellaneous	
Fiscal Year	Number	Value	Number	Value	Number	Value
1998	1,933	$81,630,678	825	$110,376,704	118	$2,104,124
1999	1,632	62,789,803	1,282	47,452,766	160	1,770,373
2000	1,457	68,817,796	932	29,371,945	175	936,475
2001	1,516	63,430,642	891	37,359,311	255	1,027,888
2002	1,711	68,765,137	882	40,585,596	272	1,225,025

Source: City of Orange Community Development Department.

Utilities

Water is supplied by the City's Water Department. Sewage treatment and disposal is provided by the County Sanitation District of Orange County and the City.

Natural gas and electric power are provided by Southern California Gas Company and Southern California Edison Company, respectively.

Community Facilities

The City provides police and fire protection services. Three general hospitals and one children's hospital are located in the City.

Public educational services are provided through Orange Unified School District, which operates 14 elementary schools, three middle schools and three high schools. The area is also served by 15 private K-12 schools, two colleges and four universities.

Religious, cultural and recreational facilities include 50 churches, three libraries, and 15 parks. Additional recreation facilities include golf, riding stables, hunting, bowling, roller skating and one senior citizen center.

Transportation

The City has access to five main freeways. The freeways include the Garden Grove Freeway, the Costa Mesa Freeway, the Orange Freeway, the Riverside Freeway and the Santa Ana Freeway.

Three airports serve the City, the Los Angeles International Airport, the John Wayne Airport and the Long Beach Airport.

Local bus transportation is available through the Orange County Transportation Authority ("OCTA") and the Metropolitan Transportation Authority.

The OCTA also provides commuter rail service between Oceanside and Los Angeles and between Riverside and Irvine by agreement with the Southern California Regional Rail Authority. The OCTA provides commuter rail access to the City residents and employers at the commuter rail passenger terminal located at 194 N. Atchison Street in the City.

Rail service is provided by the Burlington Northern and Santa Fe Railway and the Union Pacific Railroad. All major trucking lines serving Los Angeles also serve the City.

Climate

The City has a dry climate with an average rainfall of 14.8 inches per year and temperatures averaging 63 degrees.

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APPENDIX B

REPORT OF FISCAL CONSULTANT

CITY OF ORANGE REDEVELOPMENT AGENCY
ORANGE MERGED AND AMENDED REDEVELOPMENT PROJECT AREA

PROJECTED TAX INCREMENT REVENUES

AUGUST 18, 2003

I. Introduction

The City of Orange Redevelopment Agency ("Agency") is proposing to issue 2003 Tax Allocation Refunding Bonds Series A and B ("Bonds") secured by a pledge of and lien on the tax increment revenues derived from its Orange Merged and Amended Redevelopment Project Area ("Merged Project"). The Merged Project, to be described in this report, consists of the merger of three previously separate project areas: the Tustin Street Project Area, Northwest Project Area and Southwest Project Area. The Bonds are being issued to refund certain bonds previously issued by the Agency, including the Northwest Redevelopment Project Taxable Allocation Refunding Bonds, Issue of 1993A, the Northwest Redevelopment Project Tax Allocation Refunding Bonds, Issue of 1993B, the Southwest Redevelopment Project Tax Allocation Refunding Bonds, Issue of 1993A and the Southwest Redevelopment Project Taxable Allocation Refunding Bonds, Issue of 1993B.

The California Community Redevelopment Law ("CRL") provides for the creation of redevelopment agencies by cities and counties for the purpose of the elimination of blight. The CRL, collectively with Article 16, Section 16 of the California Constitution, authorizes redevelopment agencies to receive that portion of property tax revenue generated by project area taxable values that are in excess of the base year value. The base year ("Base Year") value is defined to be the amount of the taxable values within the project area boundaries on the last equalized tax roll prior to adoption of a project area or an amendment to a project area that adds area. The amount of current year taxable value that is in excess of the Base Year value is referred to as incremental taxable value. Tax revenues generated from the incremental taxable value are generally referred to as Tax Increment Revenues. The CRL provides that Tax Increment Revenues may be pledged by a redevelopment agency to the repayment of agency indebtedness.

The purpose of this fiscal consultant report ("Report") is to examine the current fiscal year and estimate, for subsequent fiscal years, the amount of tax increment revenues anticipated to be received by the Agency from the Merged Project. Provisions of the CRL and the Redevelopment Plan determine the amount of tax increment that the Agency may utilize for purposes of making debt service on bonds, loan payments, payments pursuant to tax sharing agreements between the Agency and other taxing entities and payments on other obligations.

The estimated tax increment revenue available for bond debt service ("Pledged Revenues") to be generated by the Merged Project are as shown in the table below for fiscal years 2003-04 though 2023-24.

Merged Project
(000's Omitted)

Fiscal Year	Incremental Taxable Value	Adjusted Gross Revenue	Pledged Revenues
2003-04	1,589,673	15,490	8,320
2004-05	1,641,091	15,957	9,302
2005-06	1,693,537	16,433	9,567
2006-07	1,747,032	16,919	9,936
2007-08	1,801,596	17,414	10,208
2008-09	1,857,252	17,919	10,484
2009-10	1,914,022	18,435	10,766
2010-11	1,971,926	18,960	11,054
2011-12	2,030,989	19,497	11,347
2012-13	2,091,233	20,044	11,647
2013-14	2,152,682	20,601	11,952
2014-15	2,215,360	21,170	12,262
2015-16	2,279,291	21,751	12,576
2016-17	2,344,501	22,343	12,896
2017-18	2,411,015	22,947	13,219
2018-19	2,478,860	23,563	13,547
2019-20	2,548,061	24,191	13,883
2020-21	2,618,646	24,832	14,225
2021-22	2,690,643	25,485	14,574
2022-23	2,764,080	26,152	14,930
2023-24	2,838,986	26,832	15,293

The projected incremental taxable values of property and the resulting gross tax increment revenues ("Gross Revenue") and Pledged Revenues summarized above are reflected in Tables 1, 2, 3, 4 and 5 attached to this Report. Tables 6 through 33 present detailed information on each component area of the Merged Project. The projections in this Report are based on the history of taxable values within the Merged Project and the property tax assessment and property tax apportionment procedures of the County of Orange ("County"). Future year assessed values, Gross Revenues and Pledged Revenues are estimates based upon the assumptions described in this Report. This Report should not to be construed as a guarantee of Agency revenues by the Agency or GRC Associates, Inc.

II. The Merged Project

The Merged Project consists of three previously separate and individual project areas formed over the last twenty years. The Tustin Street Project Area ("Tustin Street Original Project Area") was adopted by the Orange City Council on December 6, 1983 by Ordinance No. 49-83 and consisted of 363.6 acres. On June 21, 1988 the Tustin Street Project Area was subsequently amended by Ordinance No. 20-88 to add an additional 290 acres (referred to hereinafter as "Tustin Street Project Area Amendment No. 1"). The

Tustin Street Project Area, including the Tustin Street Original Project Area and Tustin Street Project Area Amendment No. 1, includes approximately 653 acres. The Tustin Street Project Area encompasses a primary retail commercial corridor of the City, including The Village at Orange, formerly known as the Mall of Orange.

The City Council adopted the Southwest Project Area ("Southwest Original Project Area") on November 20, 1984 by Ordinance No. 37-84. The Southwest Original Project Area is comprised of 308.6 acres. The Southwest Project Area has been subsequently amended three times to add additional properties. Amendment No. 1 ("Southwest Project Area Amendment No. 1") was approved on July 15, 1986 by City Council Ordinance No. 20-86 and added 457 acres. Amendment No. 2 ("Southwest Project Area Amendment No. 2"), adopted on July 5, 1988 by City Council Ordinance No. 24-88, added 96.2 acres. Finally, the Southwest Project Area was amended a third time ("Southwest Project Area Amendment No. 3") on July 9, 1996 by City Council Ordinance No. 17-96 adding 1.97 additional acres. The Southwest Project Area now includes a total of approximately 863 acres. The Southwest Project Area is predominantly office and commercial uses, including the Block of Orange.

The Northwest Project Area was adopted on June 28, 1988 by Ordinance No. 22-88. The project encompasses 1,564.5 acres or approximately 11.11% of the total acreage of the City. Land uses consist of a variety of industrial, commercial, office and retail uses.

The three project areas were subsequently merged by Ordinance No. 21-01, adopted by the City Council on November 13, 2001. The project area formed by the merging of existing project areas is known as the Orange Merged and Amended Redevelopment Project (the "Merged Project"). The Merged Project now totals 3,080 acres and is comprised of approximately 2,092 parcels, excluding exempt parcels. This includes 653 acres from within the Tustin Street Project Area, 863 from the Southwest Project Area, and 1,564.5 from the Northwest Project Area.

A. Land Use

The following table presents a breakdown of land use in the Merged Project, by assessed value for fiscal year 2003-04. Unsecured and Possessory Interest parcels are not shown because these parcels are tax bills that are assigned to secured parcels already and are accounted for in other categories. It should be noted that the figures below exclude the value of exempt parcels such as those owned by the City, Agency, State or other governmental agencies that do not contribute to Agency revenues.

Merged Project

Category	Parcels	Assessed Value	Percent of AV
Residential	112	$74,283,875	2.37%
Commercial	1,087	$1,566,506,501	49.95%
Industrial	887	$865,613,633	27.60%
Miscellaneous	5	$8,094	0.00%
SBE Nonunitary	[1]	$4,665,291	0.15%
Unsecured	[1]	$625,293,419	19.94%
Totals	2,091	$3,136,370,813	100.00%

[1] Values assigned to other parcels
Source: Orange County Auditor Controller, 2003-04 Property Tax Rolls

B. Redevelopment Plan Limits

CRL limits the period in which redevelopment activities can be undertaken for plans adopted prior to January 1, 1994, to 40 years from the date of adoption or January 1, 2009, whichever is later, and limits the period within which a redevelopment project area may receive tax increment to 50 years following the adoption. If redevelopment plans with shorter time frames were adopted, legislative bodies were allowed to extend their limits to conform to these requirements through the adoption of an ordinance prior to December 31, 1999. For projects adopted subsequent to 1994, redevelopment activities can be undertaken for 30 years and tax increment received for 45 years. These shorter timeframes will apply to Amendment No. 3 to the Southwest Project Area.

A redevelopment plan adopted prior to January 1, 1994 is required to include a limitation on tax increment dollars that may be allocated to the redevelopment agency; a time limit on incurring indebtedness to be repaid with tax increment; and a limit on the amount of bonded indebtedness to be repaid with tax increment that can be outstanding at one time. These limits can be extended only by an amendment of the redevelopment plan. The legislative body, by adoption of an ordinance, can eliminate the time limit on the establishment of loans, advances, and indebtedness required prior to January 1, 2002.

The City Council adopted a series of ordinances conforming the time limits of the certain individual project areas to the maximum allowed by law. When the Agency merged its three project areas, it also adopted an ordinance to extend the date to incur debt by ten years. The redevelopment plan for Merged Project amended the limit on bond debt for the individual project areas. In place of individual limits on bond debt, the Merged Project established a total limit of $1,500,000,000 for all three projects areas.

Merged Redevelopment Project Area Plan Limits

<table>
<tr><th></th><th>Plan Expiration</th><th>Last Date to Incur New Debt</th><th>Last Date to Repay Debt with Tax Increment</th><th>Tax Increment Limit [1]</th><th>Limit on Total Tax Increment Bond Debt [1]</th></tr>
<tr><td>Tustin Street Project Area</td><td>2023</td><td>2013</td><td>2033</td><td rowspan="5">No Individual Limit</td><td rowspan="7">No Individual Limit</td></tr>
<tr><td>Tustin Street Amendment No. 1</td><td>2028</td><td>2018</td><td>2038</td></tr>
<tr><td>Southwest Project Area</td><td>2024</td><td>2014</td><td>2034</td></tr>
<tr><td>Southwest Amendment No. 1</td><td>2026</td><td>2016</td><td>2036</td></tr>
<tr><td>Southwest Amendment No. 2</td><td>2028</td><td>2018</td><td>2038</td></tr>
<tr><td>Southwest Amendment No. 3</td><td>2026</td><td>2016</td><td>2041</td><td>None</td></tr>
<tr><td>Northwest Project Area</td><td>2028</td><td>2018</td><td>2038</td><td>No Individual Limit</td></tr>
<tr><td>Merged Total Limits</td><td colspan="3"></td><td>$3,300,000,000</td><td>$1,500,000,000</td></tr>
</table>

[1] Limit is on Merged Project Area and not individual project areas.

The table below presents the cumulative total tax increment the Agency has received for each component project area through July 31, 2003. To date, Agency has received a total of $147,527,419 in tax increment from the Merged Project, excluding Southwest Project Area Amendment No. 3, which does not have a limit on tax increment that the Agency is entitled to receive. Based on the projected tax increment revenues to be received by the Agency, the limit on tax increment funds that the Agency may receive for the Merged Project will not be exceeded within the term of the refunding bonds.

Project Area	Tax Increment Received To Date [1]
Tustin Street Original Project Area	$17,579,522
Tustin Street Project Area Amendment No. 1	$5,330,341
Southwest Original Project Area	$27,924,405
Southwest Project Area Amendment No. 1	$32,092,605
Southwest Project Area Amendment No. 2	$14,912,798
Northwest Project Area	$49,687,749
Merged Project Total [2]	**$147,527,419**
Southwest Project Area Amendment No. 3	$117,207

[1] Total tax increment received by the Agency as of July 31, 2003 as reported by the City of Orange Finance Department

[2] Merged Project Total excludes tax increment received from Southwest Project Area Amendment No. 3 since there is no limitation on amount of tax increment that can be received from this sub-area

III. Merged Project Assessed Values

A. Assessed Values

Taxable values are prepared and reported by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties within the Merged Project. The assessments are assigned Tax Rate Areas (TRA) that are coterminous to the boundaries of the project area in the first year that an agency is eligible to receive tax increment revenue.

Historic taxable values since 1997-98 were utilized to determine the historical growth rate of property values within the Tustin Street Project Area, Southwest Project Area, and Northwest Project Area. Property values within the Merged Project have steadily grown at a compounded rate of 5.32% per year between the years 1997-98 and 2003-04. Total assessed property values, as a merged project, did not decline for any fiscal period between 1997-98 and 2003-04. The smallest rate of growth and greatest rate of growth occurred in subsequent years 1998-1999 and 1999-2000. This slow growth in assessed value follow by large growth in assessed value is largely attributed to the development of The Block at Orange. GRC is not aware of any potential exemptions that would substantially affect property values in the Merged Project in the coming future. The historic taxable values for the Merged Project are shown in Table 3.

B. Top Ten Taxable Property Owners

A review of the top ten taxable property owners in the Merged Project for fiscal year 2003-04 was conducted. Within the Merged Project, the aggregate total taxable value for the ten largest taxpayers totaled $625,101,097 of the assessed property values. These top-ten taxpayers account for 23.53% percent of the secured assessed value within the Merged Project and 5.46% percent of the unsecured assessed value. A list of the top ten taxpayers, and the number of parcels attributed to each owner for the Merged Project, is presented in Table 5.

IV. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of property are established each year on the property tax lien date. Prior to 1997 the lien date was March 1 for locally assessed property and January 1 for State assessed utility property. Beginning with 1997, the lien date of January 1 was established for both locally and State assessed property.

Real Property reflects the reported assessed values for secured and unsecured land and improvements. Pursuant to Article XIIIA of the State Constitution, the value of locally assessed Real Property may only be increased up to two percent annually to reflect inflation. Real Property values are also permitted to increase as a result of a change of ownership or new construction. Utility property assessed by the State Board of Equalization may be revalued annually and such assessments are not subject to the inflation limitations of Article XIIIA. The taxable value of Personal Property is also established on the lien dates and is not subject to the annual two percent limit of locally assessed Real Property.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures and personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate.

B. Supplemental Assessments

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as a Supplemental Assessment and is determined by applying the current year's tax rate to the amount of increase in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property.

Since 1984-85 revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The Agency received $514,458 in revenue from Supplemental Assessments[1] within the Merged Project during fiscal year 2002-03 and $586,826 during fiscal year 2001-02. This revenue is indicative of new development that was assessed after finalization of the tax roll and sales of property at prices that were higher than the assessed value. GRC has not included revenues or revenue reductions resulting from Supplemental Assessments in our projections.

C. Tax Rates

Tax rates will vary within a community and a project area. The tax rate for any particular parcel is based upon the taxing entities levying the tax rate for the area where the parcel is located. The tax rate consists of the General Levy Tax Rate of $1.00 per $100 of taxable values and the Over-ride Tax Rate. The Over-ride Tax Rate is that portion of the tax rate that exceeds the General Levy Tax Rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII.

The State Constitution prohibits the allocation to redevelopment agencies of tax revenues derived from Over-ride Tax Rates levied for repayment of indebtedness approved by the voters after December 31, 1988. The Over-ride Tax Rates typically decline each year as a result of (1) increasing property values (which would reduce the Over-ride Tax Rate required to produce the revenue necessary to meet debt service obligations) and (2) the eventual retirement of debt over time. The tax rate levied by the Metropolitan Water District is authorized by a contract and does not have a termination date.

The Merged Project contains 41 Tax Rate Areas (TRA's). A Tax Rate Area is a geographic area within which the taxes on all property are levied by a certain set of taxing entities. These taxing entities each receive a prorated share of the General Levy and those taxing entities with voter approved Over-ride Tax Rates receive the revenue resulting from that tax rate. For the revenue projections contained within this report, it is assumed that the tax rate is $1.0067 per $100 of secured and unsecured assessed value. This tax rate is exclusive of debt service components that were approved by voters after December 31, 1988 and, therefore, do not generate revenue that may be allocated to the Agency. The breakdown of the tax rate that is applicable to the Merged Project is as follows:

[1] Supplemental Assessments as reported by Orange County Auditor-Controller in 2002-03 Year End Property Tax Ledger.

General Levy	1.000000
Metropolitan Water District	.0067
RDA Applicable Rate:	**1.0067**

The Override Rate levied by the Metropolitan Water District is authorized by a contract and does not have a termination date. Therefore, we have held the tax rate constant at $1.0067 for the life of our projections.

D. Allocation of Taxes

Taxes paid by property owners 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 March 1 and become delinquent August 31. The County disburses Tax Increment Revenue to all redevelopment agencies from November through August with approximately 45 percent of secured revenues apportioned by the end of December. Unsecured revenues are disbursed in September, January and June of each fiscal year.

E. Annual Tax Receipts to Tax Levy

The Agency received a total of $ 14,463,233 in tax increment revenue from the Merged Project for fiscal year 2002-03. This total is inclusive of revenues from supplemental assessments, homeowner's exemptions, public utilities and prior year collections and net of County withholdings for refunds. The County administration fee of $146,679 was deducted from the agency's 2002-03 tax revenues. The Agency received a total of $13,517,605 in tax increment revenue for fiscal year 2001-2002. This total is inclusive of revenues from supplemental assessments, homeowner's exemptions, public utilities and prior year collections and net of County withholdings for refunds.

The County of Orange apportions tax revenues to redevelopment agencies based upon the amount of the tax levy that is received from the taxpayers. Secured collection rates for the Merged Project have been consistently high. The following table illustrates the tax revenue collections for the previous six years.

Fiscal Year	Tax Levy	Apportioned	Collection %	Prior Year Collections [1]	Total Apportioned	Total Collection %
1997-98	$7,634,475	$6,820,376	89.34%	$294,481	$7,114,856	93.19%
1998-99	$7,771,264	$7,360,305	94.71%	$450,882	$7,811,188	100.51%
1999-00	$11,322,931	$11,050,594	97.59%	$1,622,791	$12,673,384	111.93%
2000-01	$12,675,376	$12,270,213	96.80%	$561,928	$12,832,141	101.24%
2001-02	$13,001,644	$12,789,158	98.37%	$728,446	$13,517,605	103.97%
2002-03	$14,326,835	$13,770,563	96.12%	$692,670	$14,463,233	100.95%

[1] Prior year collections include supplemental revenue, reductions for taxpayer's refunds, and revenue from prior years.
Source: Orange County Auditor-Controller's Office, Year-End Property Tax Ledgers 1997-98 to 2002-03

Tax increment revenue projections contained in this report do not include any adjustments for delinquencies or collection history.

F. Assessment Appeals

Tustin Street Project Area

Since 1998 there have been 112 assessment appeals filed on properties within Tustin Street Project Area. Of the 112 appeals filed, 15 have been allowed with a reduction in value and 74 have been denied. These figures result in an average of 16.9 percent of resolved appeals being allowed with a reduction of value. The historical average reduction in value for allowed appeals is 20.2 percent. There are 23 appeals currently pending on property within the Tustin Street Project Area. These owners have appealed valuations totaling $47,334,892. The historical appeals data for the Tustin Street Project Area is presented in Table 9 of the projections.

Tustin Street Project Area Amendment No. 1

Since 1998 there have been 37 assessment appeals filed on properties within the Tustin Street Project Area Amendment No. 1. Of the 37 appeals filed, 8 have been allowed with a reduction in value and 20 have been denied. These figures result in an average of 28.6 percent of resolved appeals being allowed with a reduction of value. The historical average reduction in value for allowed appeals is 16.64 percent. There are 9 appeals currently pending on property within the Tustin Street Project Area Amendment No. 1. These owners have appealed valuations totaling $8,959,025. The historical appeals data for the Tustin Street Project Area Amendment No. 1 is presented in Table 13 of the projections.

Southwest Project Area

Since 1998 there have been 24 assessment appeals filed on properties within the Southwest Project Area. Of the 23 appeals filed, 2 have been allowed with a reduction in value and 17 have been denied. These figures result in an average of 10.5 percent of resolved appeals being allowed with a reduction of value. Appeals in this project area have resulted in a historical increase in assessed value of 13.53 percent. There are 5 appeals currently pending on property within the Southwest Project Area. These owners have appealed valuations totaling $33,088,728. The historical appeals data for the Southwest Project Area is presented in Table 17 of the projections.

Southwest Project Area Amendment No. 1

Since 1998 there have been 83 assessment appeals filed on properties within the Southwest Project Area Amendment No 1. Of the 83 appeals filed, 10 have been allowed with a reduction in value and 56 have been denied. These figures result in an average of 15.2 percent of resolved appeals being allowed with a reduction of value. The historical average reduction in value for allowed appeals is 3.55 percent. There are 17 appeals currently pending on property within the Southwest Project Area Amendment No. 1. These owners have appealed valuations totaling $14,466,520. The historical appeals data for the Southwest Project Area Amendment No. 1 is presented in Table 21 of the projections.

Southwest Project Area Amendment No. 2

Since 1998 there have been 31 assessment appeals filed on properties within the Southwest Project Area Amendment No. 2. Of the 31 appeals filed, 5 have been allowed with a reduction in value and 17 have been denied. These figures result in an average of 22.7 percent of resolved appeals being allowed with a reduction of value. The historical average reduction in value for allowed appeals is 17.9 percent. There are 9 appeals currently pending on property within the Southwest Project Area Amendment No. 2. These owners have appealed valuations totaling $126,364,424. The historical appeals data for the Southwest Project Area Amendment No. 2 is presented in Table 25 of the projections.

Southwest Project Area Amendment No. 3

Since 1998 there have been no assessment appeals filed on properties within the Southwest Project Area Amendment No. 3. GRC does not anticipate any loss of assessed value due to appeals in Southwest Project Area Amendment No. 3, as there are no appeals pending. The historical appeals data for the Southwest Project Area Amendment No. 3 is presented in Table 29 of the projections.

Northwest Project Area

Since 1998 there have been 213 assessment appeals filed on properties within the Northwest Project Area. Of the 213 appeals filed, 32 have been allowed with a reduction in value and 141 have been denied. These figures result in an average of 18.5 percent of resolved appeals being allowed with a reduction of value. The historical average reduction in value for allowed appeals is 14.36 percent. There are 40 appeals currently pending on property within the Northwest Project Area. These owners have appealed valuations totaling $124,605,281. The historical appeals data for the Northwest Project Area is presented in Table 33 of the projections.

Merged Project Area

GRC has provided for a reduction in assessed value based on appeals data from Merged Project Area in the aggregate. Since 1998 there have been a total of 500 assessment appeals filed on properties within the Merged Project Area. Of the 500 appeals filed, 72 have been allowed with a reduction in value and 325 have been denied or withdrawn. These figures result in an average of 18.1 percent of resolved appeals being allowed with a reduction of value. The historical average reduction in value for allowed appeals is 11.73 percent. There are 103 appeals currently pending on property within the Merged Project Area. These owners have appealed valuations totaling $355,818,870. Based on the above historical averages, GRC expects 18.1 percent of the outstanding appeals to be successful, with and average reduction in value of 11.73 percent. This would result in a loss of assessed value of $7,567,051. The projected assessed values for 2003-04 have been adjusted for this estimated loss of value. The historical appeals data for the Merged Project Area is presented in Table 4 attached to this report.

A number of the appeals in the Merged Project that were allowed a reduction in value were based on Section 51 of the Revenue and Taxation Code which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA 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. Significant reductions took place in some counties during the mid-1990's due to declining real estate values. Reductions made under this code section may be initiated by the Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine it's full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases shall be in accordance with the actual full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIIIA of the State Constitution. Once the property has regained its prior value, adjusted for inflation it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

G. County Collection Charges

Counties are permitted by State law to recover charges for property tax administration in an amount equal to their property tax administration costs. For the fiscal year 2002-03, the amount of County collection charges attributed to the Merged Project is $146,679. For purposes of these projections, GRC has assumed that the County will continue to charge the Agency for property tax administration and that such charge will be 0.928% percent of the gross revenues (see Tables 1 and 2) based on information provided by the Orange County Auditor-Controller on February 25, 2003.

H. Allocation of State Assessed Unitary Taxes

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter (921) provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization, other than railroads. Prior to the 1988-89 fiscal year, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area. Since 1988-89, tax revenues derived from unitary property assessed by the SBE are accumulated in a single Tax Rate Area for the County. It is then distributed to each taxing entity in the County in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to two percent; (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro-rata county wide; and (3) any increase in revenue above two percent would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the County.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of the project area, therefore, the base year of project areas have been reduced by the amount of utility value that existed originally in the base year. Within the Merged Project, the Auditor Controller allocated $216,159 in unitary tax revenue to the Agency for 2002-03. This amount is reasonably consistent with the unitary revenue allocations made to the Agency in prior years. We have assumed that unitary tax revenue will continue to be allocated in similar amounts over the life of the Merged Project.

V. Low and Moderate Income Housing Set-Aside

Section 33334.2 of the CRL requires redevelopment agencies to set aside 20 percent of all tax increment revenues into a low and moderate-income housing fund ("Housing Set-Aside Requirement"). An agency can reduce the Housing Set-Aside Requirement if it annually makes certain prescribed determinations that are consistent with the housing element of the general plan. These findings are: (1) that no need exists in the community to improve or increase the supply of low and moderate income housing; or, (2) some stated percentage less than 20 percent of the tax increment is sufficient to meet the housing need. In order to make findings (1) or (2), the Agency's finding must be consistent with the housing element of the community's general plan, including its share of the regional housing needs of very low income households and persons and families of low or moderate income. No such findings have been made by the Agency.

To the extent a portion of tax allocation bond proceeds are deposited into the housing set-aside Fund, debt service on such bonds fulfills the Housing Set-aside Requirement reflecting the portion of net bond proceeds deposited in the housing set-aside fund. The Agency allocated 20 percent of the bond proceeds from the Southwest Project Area and Northwest Project Area 1993 Series A and Series B bond issues and the Tustin Street 1997 Series A and Series B bonds. Therefore, 20 percent of the debt service from these bonds is payable from the low and moderate housing set aside funds. For the Tustin Street Project Area, $158,958 of the debt service from the 1997 bonds is paid annually with housing set aside. Additionally, the Agency may pay up to 20 percent of the debt service of the refunding bonds from housing set aside. The Agency has stated that they will pay 20% of the debt service for the refunding bonds with the low and moderate-income housing funds. This will increase the debt coverage for the refunding bonds. However, GRC has not increased Pledged Revenue projections in this report to include debt service payable from housing set-aside funds.

VI. Legislation

In order to address State Budget deficits, the Legislature enacted SB614, SB844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and 1994-95 fiscal years into a countywide Education Revenue Augmentation Fund (the ERAF). The Agency was allowed to use any funds legally available and not legally obligated for other uses, including reserve funds, bond proceeds, earned income and proceeds of land sales to satisfy this obligation, but was prohibited from using moneys in the Low and Moderate Income Housing Fund (the Housing Fund). The obligation is applied to the agency and not to specific project areas. All ERAF obligations of the Agency in the above noted years have been fulfilled and no repayment obligation exists.

In addition to the payments from redevelopment agencies, the State budget solutions have involved the shifting of property tax revenues from cities, counties and special districts to the ERAF. In Orange County, this shift has been accomplished by allocating to the ERAF its share of taxes in the same manner as they are distributed to other taxing entities except for redevelopment agencies whose revenue is distributed in accordance with its incremental taxable value.

Recently the State introduced a one-time ERAF shift of $75,000,000 for the 2002-03 year for all redevelopment agencies to meet the State budget deficit for last year. The Agency's ERAF obligation was $438,154, which was withheld by the County. State legislation SB 1045 introduces a one-time ERAF shift of $135,000,000 for the 2003-04 year to meet the current State budget deficits. This legislation was recently certified by both the State Assembly and the State Senate. GRC's projections assume that this legislation will be passed. According to the California Redevelopment Association, the Agency's 2003-04 obligation will be approximately $720,190. No other future ERAF obligations have been drafted or adopted, but it is possible and it has been suggested by certain State legislators, that the Legislature could shift property tax allocations or require additional redevelopment payments in future years. Since these shifts were one-time shifts from the years 2002-03 and 2003-04, no further ERAF shifts have been included in the tax increment projections for years after 2003-2004.

VII. Tax Sharing Agreements and Other Obligations

A. Owner Participation Agreements

Within the body of this section, all owner participation agreements and disposition and development agreements the Agency has entered into that require the Agency to make payments to another party in future years are described below.

The Agency entered into a commercial rehabilitation loan agreement with the owners of Villa Ford Automobile Dealership on May 31, 2000. The agreement provides for the Agency to loan the aggregate total sum of $630,000 payable in seven equal annual installments of $90,000, beginning in 2002. Repayment of each installment is deferred for five years. If at the end of the five-year deferment period Villa Ford is in compliance with the terms of the loan agreement, then the principal and interest accrued are deemed forgiven. The Agreement states that these payments <u>are</u> subordinate to bond indebtedness.

The Agency entered into a participation agreement with Enterprise Rent-A-Car Company on September 12, 1995. The purpose of the agreement was to provide agency assistance to offset a 2½ % of annual increase in lease payments made by Enterprise to the property owner. Enterprise may receive a maximum Agency assistance of $395,000 disbursed over 20 years. This loan agreement does not specifically allocate tax increment and therefore is assumed to be <u>subordinate</u> to the pledge of tax increment to repayment of the Bonds. Payments to Enterprise are not included in the projections.

The Agency entered into a disposition and development agreement ("DDA") with Home Depot U.S.A., Inc. on June 24, 1991. This agreement was subsequently amended on July 12, 1994. The amended agreement provides for assistance to Home Depot in an amount equivalent to 100% of the tax increment generated from the subject property until August 1, 2006, or until a total assistance cap of $1,495,639 in 1994 dollars (payments discounted at 8% annually) has been reached. The DDA specifically allocates tax increment and it has been assumed that it is <u>not</u> subordinate to bond indebtedness.

The Agency entered into an owner participation agreement ("OPA") with RB Orange LP on April 8, 2003. The terms of the OPA establish an operating covenant for the Village at Orange (formally known as the Mall of Orange) which the Agency has agreed to pay the Developer up to $5.2 million over 15 years. The OPA is performance based and payments will begin in 2005-2006. Though the OPA allocates tax increment, it provides for the pledging of tax increment funds to incur additional bonded indebtedness that will be senior to the OPA, so long as the Agency reasonably demonstrates to owner that such indebtedness will not adversely affect the Agency's ability to make payments. RB Orange LP has agreed to allow refunding bonds to be senior to this agreement.

The Agency entered into a disposition and development agreement Southern Countries Oil on December 14, 1999. The agreement provides for the Agency providing assistance to Southern Countries Oil in the an amount equal to 49% of their quarterly sales taxes less 50% of certain rent revenue generated from the project for a ten year period up to a maximum assistance of $4,700,414. The Agency has budgeted $750,000 for the 2003-04 payment. The Agreement states that these payments <u>are</u> subordinate to bond indebtedness.

B. 33676 Tax Increment Reductions

Pursuant to section 33676 of the California Health and Safety Code, any tax receiving entity, and every school district, may elect to receive: 1) increased in the rate of tax imposed for the benefit of the District that occur after the project was adopted [H&S 33676 (b)]; and 2) the portion of the property tax increment which is based upon inflationary increases [H&S 33676 (a)]. Revenues received under this section of the law are not considered tax increment allocable to the Agency and hence are not subject to housing set aside requirements or pass through agreements with other tax receiving entities. 33676 tax increment reductions effectively increase the "base year" value as observed by the entity receiving revenues. These revenues are paid directly by the County. Only Southwest Project Area Amendment No. 1 has reductions associated with this section of the CRL. The CRL is unclear whether tax receiving entities claiming 33676 allocations will also be eligible for statutory pass-throughs initiated by the Agency amending the redevelopment plan to extend the timeframe to incur debt pursuant to SB 211. GRC has assumed that these entities will receive <u>both</u> 33676 base year increases and statutory pass-throughs. These reductions are described in the paragraphs below.

<u>Orange Unified School District.</u> Pursuant to section 33676 (a) of the California Health & Safety Code, Orange Unified School District receives its share (46.4%) of inflationary growth in Southwest Project Area Amendment No. 1.

<u>Rancho Santiago Community College District.</u> Pursuant to section 33676 (a) of the California Health & Safety Code, Rancho Santiago Community College District receives its share (7.65%) of inflationary growth in Southwest Project Area Amendment No. 1.

<u>North Orange County Community College District.</u> Pursuant to section 33676 (a) of the California Health & Safety Code, North Orange County Community College District receives its share (0.11%) of inflationary growth in Southwest Project Area Amendment No. 1.

<u>Orange County Department of Education.</u> Pursuant to section 33676 (a) of the California Health & Safety Code, Orange County Department of Education receives its share (1.81%) of inflationary growth in Southwest Project Area Amendment No. 1.

<u>City of Orange.</u> Pursuant to section 33676 (a) of the California Health & Safety Code, City of Orange receives its share (13.6%) of inflationary growth in Southwest Project Area Amendment No. 1.

C. Tax Sharing Obligations

Pursuant to Section 33401(b) of the Redevelopment Law, a redevelopment agency may enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for a pass-through of tax increment revenue directly to the affected taxing agency, and therefore, are commonly referred to as "pass-through" agreements or "tax sharing" agreements. The following paragraphs describe the pass-through agreements the Agency has entered into with respect to each project area.

Tustin Street Original Project Area

Orange Unified School District. Pursuant to its agreement with Orange Unified School District, the Agency pays the District 10 percent of the gross tax increment paid to the Agency. These payments are not subordinated to bond indebtedness.

Orange County General Fund and Flood Control District. Orange County General Fund and Flood Control District receive a combined share of 3.01% of the general levy tax increment. These payments are subordinated to bond indebtedness.

Statutory Pass-Throughs. When the Agency extended the time frame to incur debt pursuant to State Assembly Bill 211, this initiated statutory pass-throughs to all affected tax agencies that do not currently have tax sharing agreements. The general levy share of all agencies that do not currently possess tax-sharing agreements is 15.49% of every $1.00 of property tax generated. These statutory pass-throughs to affected agencies will begin in the year 2004-05 at a rate of 25% of the tax increment growth net of the Housing Set-Aside Requirement with of base year of 2003-04. An additional pass-through will begin in the year 2014-15 at a rate of 21% of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2013-14. These payments are not subordinated to bond indebtedness.

Tustin Street Project Area Amendment No. 1

Orange Unified School District. Orange Unified School District receives one-third of its share (47.16%) of general levy tax increment paid to the Agency. These payments are not subordinated to bond indebtedness.

Rancho Santiago Community College District. Rancho Community College District receives 30 percent of its share (7.78%) of general levy tax increment paid to the Agency. These payments are not subordinated to bond indebtedness.

Orange County General Fund. Orange County General Fund receives one-half of its share (6.28%) of general levy tax increment. These payments are not subordinated to bond indebtedness.

Orange County Flood Control District. Orange County Flood Control District receives its share (2.01%) of general levy tax increment. These payments are not subordinated to bond indebtedness.

Orange County Harbors, Beaches and Parks. Orange County Harbors, Beaches, and Parks receives 30 percent its share (1.56%) of general levy tax increment. These payments are not subordinated to bond indebtedness.

Orange County Water District. Orange County Water District receives 80 percent its share (0.86%) of general levy tax increment paid to the Agency or its share of inflationary growth as if the District had elected to receive payments under section 33676 (a) of the California Health and Safety Code, whichever is greater. These payments are not subordinated to bond indebtedness.

Orange County Sanitation District #2. Orange County Sanitation District #2 receives one-third of its share (2.17%) of general levy tax increment paid to the Agency or its share of inflationary growth as if the District had elected to receive payments under section 33676 (a) of the California Health and Safety Code, whichever is greater. These payments are not subordinated to bond indebtedness.

Orange County Department of Education. Orange County Department of Education receives 25 percent its share (0.46%) of general levy tax increment paid to the Agency. These payments are subordinated to bond indebtedness.

Statutory Pass-Throughs. When the Agency extended the time frame to incur debt pursuant to State Assembly Bill 211, this initiated statutory pass-throughs to all affected taxing agencies that do not currently have tax sharing agreements. The general levy share of all agencies that do not currently possess tax-sharing agreements is 1.04% of every $1.00 of property tax generated. These statutory pass-throughs to affected agencies will begin in the year 2008-09 at a rate of 25% of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2007-08. An additional pass-through will begin in the year 2018-19 at a rate of 21% of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2017-18. These payments are not subordinated to bond indebtedness.

Southwest Original Project Area

Orange Unified School District. Orange Unified School District receives 10 percent of the gross tax increment paid to the Agency. These payments are not subordinated to bond indebtedness.

Orange County General Fund and Flood Control District. Orange County General Fund receives a combined share of 3.01 percent of the general levy tax increment. These payments are not subordinated to bond indebtedness.

Orange County Department of Education. Orange County Department of Education receives 25 percent its share (1.82%) of general levy tax increment paid to the Agency. These payments are subordinated to bond indebtedness.

Statutory Pass-Throughs. When the Agency extended the time frame to incur debt pursuant to State Assembly Bill 211, this initiated statutory pass-throughs to all affected taxing agencies that do not currently have tax sharing agreements. The general levy share of all agencies that do not currently possess tax-sharing agreements is 13.7% of every $1.00 of property tax generated. These statutory pass-throughs to affected agencies will begin in the year 2005-06 at a rate of 25% of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2004-05. An additional pass-through will begin in the year 2015-16 at a rate of 21% of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2014-15. These payments are not subordinated to bond indebtedness.

Southwest Project Area Amendment No. 1

Orange County General Fund. Orange County General Fund receives 25 percent of its share (6.26%) of the general levy tax increment. These payments are not subordinated to bond indebtedness.

Orange County Flood Control District. Orange County Flood Control District receives its share (2.01%) of the general levy tax increment. These payments are not subordinated to bond indebtedness.

Anaheim City Elementary School District. Anaheim City Elementary School District receives the greater of 40 percent its proportional share (7.16%), based on assessed values, of general levy tax increment paid to the Agency or its share of inflationary growth as if the District had elected to receive payments under Section 33676(a) of the California Health and Safety Code. These payments are not subordinated to bond indebtedness.

Anaheim Union High School District. Anaheim City Elementary School District receives the greater of 40 percent its proportional share (4.57%), based on assessed values, of general levy tax increment paid to the Agency or its share of inflationary growth as if the District had elected to receive payments under Section 33676(a) of the California Health and Safety Code. These payments are not subordinated to bond indebtedness.

Statutory Pass-Throughs. When the Agency extended the time frame to incur debt pursuant to State Assembly Bill 211, this initiated statutory pass-throughs to all affected taxing agencies that do not currently have tax sharing agreements. The general levy share of all agencies that do not currently possess tax-sharing agreements is 61.1% of every $1.00 of property tax generated. This tax share includes entities receiving 33676 base year increases. These statutory pass-throughs to affected agencies will begin in the year 2007-08 at a rate of 25 percent of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2006-07. An additional pass-through will begin in the year 2017-18 at a rate of 21 percent of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2016-17. These payments are not subordinated to bond indebtedness.

Southwest Project Area Amendment No. 2

Orange County General Fund. Orange County General Fund receives 73 percent of its share (6.26%) of the general levy tax increment. These payments are not subordinated to bond indebtedness.

Orange County Flood Control District. Orange County Flood Control District receives its share (2.01%) of the general levy tax increment. These payments are not subordinated to bond indebtedness.

Orange County Harbors, Beaches, and Parks. Orange County Harbors, Beaches, and Parks receives 73 percent of its share (1.56%) of the general levy tax increment. These payments are not subordinated to bond indebtedness.

Orange County Water District. Orange County Water District receives the greater of 80 percent its share (0.82%) of general levy tax increment paid to the Agency or its share of inflationary growth as if the District had elected to receive payments under Section 33676(a) of the California Health and Safety Code. These payments are not subordinated to bond indebtedness.

Metropolitan Water District. The Agency pays the Metropolitan Water District an amount equal to the Districts override on the general levy (.0067) less County administration fees. These payments are not subordinated to bond indebtedness.

Orange Unified School District. Orange Unified School District receives 40 percent its proportional share (47.1%), based on assessed values, of general levy tax increment paid to the Agency. These payments are not subordinated to bond indebtedness.

Rancho Santiago Community College District. Rancho Santiago Community College District receives 30 percent its proportional share (7.77%), based on assessed values, of general levy tax increment paid to the Agency. These payments are not subordinated to bond indebtedness.

Orange County Sanitation District #2. Orange County Sanitation District receives the greater of one-third of its proportional share (3.17%), based on assessed value, of general levy tax increment paid to the Agency or its share of inflationary growth as if the District had elected to receive payments under Section 33676(a) of the California Health and Safety Code. These payments are not subordinated to bond indebtedness

Anaheim City Elementary School District. Anaheim City Elementary School District receives the greater of 40 percent its proportional share (0.0%), based on assessed values, of general levy tax increment paid to the Agency or its share of inflationary growth as if the District had elected to receive payments under Section 33676(a) of the California Health and Safety Code. Currently there is no incremental value in the TRA's in which the District receives tax revenues. These payments are not subordinated to bond indebtedness.

Orange County Department of Education. Orange County Department of Education receives 25 percent its share (1.81%) of general levy tax increment paid to the Agency. These payments are subordinated to bond indebtedness.

Statutory Pass-Throughs. When the Agency extended the time frame to incur debt pursuant to State Assembly Bill 211, this initiated statutory pass-throughs to all affected taxing agencies that do not currently have tax sharing agreements. The general levy share of all agencies that do not currently possess tax-sharing agreements is 1.33% of every $1.00 of property tax generated. These statutory pass-throughs to affected agencies will begin in the year 2009-10 at a rate of 25% of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2008-09. An additional pass-through will begin in the year 2019-20 at a rate of 21% of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2018-19. These payments are not subordinated to bond indebtedness.

Southwest Project Area Amendment No. 3

Statutory Pass-Throughs. Amendment No. 3 is a post 1994 project area and is subject to the statutory pass-throughs as mandated in State Assembly Bill 1290. All tax receiving entities, excluding the City of Orange, receive mandatory pass-throughs beginning the first year the Agency received tax increment. The initial pass-through is an amount equal to 25% of the tax increment net of the Housing Set-Aside Requirement. These entities have a combined share of 70.9 percent of the general levy. An additional pass-through will begin in the year 2006-07 at a rate of 21 percent of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2005-06. A third pass-through will begin in the year 2026-27 and is outside the dates of this projection. These payments are not subordinated to bond indebtedness.

Northwest Project Area

Orange County General Fund. Orange County General Fund receives 63 percent of its share (6.25%) of the general levy tax increment. These payments are not subordinated to bond indebtedness.

Orange County Flood Control District. Orange County Flood Control District receives its share (2.01%) of the general levy tax increment. These payments are not subordinated to bond indebtedness.

Orange County Harbors, Beaches, and Parks. Orange County Harbors, Beaches, and Parks receives 45 percent of its share (1.56%) of the general levy tax increment. These payments are not subordinated to bond indebtedness.

Orange Unified School District. Orange Unified School District receives one-third of its share (47.2%) of general levy tax increment paid to the Agency. These payments are not subordinated to bond indebtedness.

Rancho Santiago Community College District. Rancho Community College District receives one-third of its share (7.77%) of general levy tax increment paid to the Agency. These payments are not subordinated to bond indebtedness.

Orange County Water District. Orange County Water District receives the greater of 80 percent its share (0.82%) of general levy tax increment paid to the Agency or its share of inflationary growth as if the District had elected to receive payments under Section 33676(a) of the California Health and Safety Code. These payments are not subordinated to bond indebtedness.

Orange County Sanitation District #2. Orange County Sanitation District #2 receives one-third of its share (3.14%) of general levy tax increment paid to the Agency or its share of inflationary growth as if the District had elected to receive payments under section 33676 (a) of the California Health and Safety Code, whichever is greater. These payments are not subordinated to bond indebtedness

Orange County Department of Education. Orange County Department of Education receives 25 percent its share (1.82%) of general levy tax increment paid to the Agency. These payments are subordinated to bond indebtedness.

Statutory Pass-Throughs. When the Agency extended the time frame to incur debt pursuant to State Assembly Bill 211, this initiated statutory pass-throughs to all affected taxing agencies that do not currently have tax sharing agreements. The general levy share of all agencies that do not currently possess tax-sharing agreements is 0.45 percent (0.45%) of every $1.00 of property tax generated. These statutory pass-throughs to affected agencies will begin in the year 2008-9 at a rate of 25% of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2007-08. An additional pass-through will begin in the year 2018-19 at a rate of 21% of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2017-18. These payments are not subordinated to bond indebtedness.

VIII. Development Activities

New development is one of the primary sources of increased assessed property values above the 2% annual inflation factor. In this section, current or recent development activities, from within the Merged Redevelopment Project Area are described below. GRC has not included any increases in assessed value projections due to these new development activities.

The Block at Orange. Since the opening of The Block at Orange in 1998, the 800,000 square foot shopping and entertainment center has averaged approximately 13 million visitors annually. Based on this success, the Mills Corporation, owner of the center, is planning to enhance and expand the retail space as well as add residential and hotel uses to the project. The Mills has begun pursuing entitlements for this expansion and expects to begin construction in the early part of 2004.

The Orange Drive-In site. This site is 20 acres; 13 acres situated in Orange and 7 acres in Anaheim, is owned by Pacific Theaters. They are partnering with Archstone Communities to redevelop the site into a high density, high-end luxury apartment complex consisting of 884 units (536 are in Orange).

Cinedome Theater site. This site totals 11.5 acres, is owned by theater operator Syufy Enterprises. The owner intends to sell the property to BRE Properties, who is proposing to redevelop the site into a high density, luxury apartment complex consisting of 462 units.

Orange Garden Inn. Formerly the Ramada Inn, this 4.5-acre property is in escrow to be purchased by Trammell Crow Residential. They are proposing to redevelop the site into a high density, high-end luxury apartment and retail complex consisting of 276 units and 5,000 square feet of commercial space.

Equity Office Properties. Equity Office Properties (EOP), the office management and development company, owns 1.4 million square feet of office space adjacent to The Block. EOP has secured entitlements to develop an additional 4 office buildings totaling over 1.1 million square feet. The project will consist of a 6-story, 132,000 square foot building, a 10-story, 200,000 square foot building, a 19-story 360,000 square foot building, a 24-story 465,000 square foot building and associated parking structures containing 7,136 parking spaces. The four project sites are presently developed as surface parking lots.

The Village at Orange (Mall of Orange). Originally built in the late 1960's, the 820,000 square foot Mall of Orange has undergone a number of minor renovation and enhancement projects by its original owner during the past thirty years. The most recent improvement project included the addition of Wal-Mart in

1997. In April 2002, RB Orange, L.P. acquired the mall with plans to reposition the site by conducting extensive interior and exterior improvements and adding 36,000 square feet of retail space. A significant component of this project has been the attraction of several new national retailers including Cost Plus, Linens N Things, and Organized Living as well as key restaurants such as Panera Bread Co., Pasta Pomodoro, and Oggi's Pizza & Brewing Company. The first phase of the project is underway and anticipated to be completed by November 2003. As part of the repositioning, the mall will be renamed "The Village at Orange."

Medical Office/ Hospital Development. In May 2003, a two building medical office complex totaling 217,000 square feet was approved by the City Council. The project is located directly across the street from St Joseph's Hospital. The developer Citadel Properties plans to begin construction on the four-story, 87,000 square foot building within the next six months.

In addition to the development of medical offices, two of the City's hospitals will be undergoing significant renovation and expansion projects over the next several years. St Joseph's Hospital is in the process of planning to replace nearly every building in their complex and expand its facilities to over 1.1 million square feet. University of California, Irvine (UCI) Medical Center is starting on a $350 million project to renovate and expand their facilities. UCI Medical Center is the County's only Level I Trauma Center and Academic hospital. Although, both of these projects will not directly impact the Agency's Assessed Valuation since hospitals are exempt, both projects represent a reinvestment to their respective areas.

MS International, Inc. In July 2003, MS International, Inc. (MSI) acquired a 12.5-acre site located on Batavia Street in the Northwest Project Area to consolidate its multiple warehouse facilities and relocate its corporate headquarters offices from Anaheim to Orange. MSI is a major distributor of premium natural stones with a worldwide customer base including Canada and Europe. MSI employs over 200 people and anticipates additional growth with its expansion plans in Orange.

Fieldstone. Fieldstone is beginning construction on 24 homes on a 3-acre site adjacent to The Village at Orange. It is anticipated that the homes will sell in the $500,000 to $600,000 range.

Affordable Housing. The Agency also has a few restricted-income projects under development. Projects include a six-unit senior rental housing project in Old Towne, a 20-unit senior rental housing project on East Chapman and a ten-unit moderate-rate for-sale family housing project near The Block.

IX. Trended Taxable Value Growth

Growth in real property land and improvement values have been limited to an assumed rate of growth of real property taxable values of two percent annually as allowed under Article XIIIA of the state Constitution. A two percent growth rate has been assumed because it is the maximum inflationary growth rate permitted by law and this rate of growth has been realized in all but four years since 1981. The years in which less than two percent growth was realized were 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%) and 1999-00 (1.85%). Should the growth of taxable value in the project areas be less than two percent, the resultant Gross Tax Increment Revenues would be reduced proportionately. Future values will also be impacted by changes of ownership and new construction not reflected in our projections. In addition, the values of property previously reduced in value due to assessment appeals based on reduced market values could increase more than two percent when real estate values increase more than two percent (see Section III.F above). Seismic activity and environmental conditions such as hazardous substances are not anticipated in this report and might also impact property taxes and Tax Increment Revenue. GRC Associates makes no representation that taxable values will actually grow at the rate projected.

City of Orange Redevelopment Agency
Fiscal Consultant's Report
August 18, 2003

Table 1
Orange Merged and Amended Redevelopment Project
Projection of Tax Increment Revenue
(000's Omitted)

Taxable Values (1)		**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**
Land		1,013,790	1,034,066	1,054,747	1,075,842	1,097,359	1,119,306	1,141,693	1,164,526	1,187,817	1,211,573	1,235,805
Improvements		1,824,948	1,861,447	1,898,676	1,936,650	1,975,383	2,014,890	2,055,188	2,096,292	2,138,218	2,180,982	2,224,602
Less Exemptions		(267,857)	(273,214)	(278,679)	(284,252)	(289,937)	(295,736)	(301,651)	(307,684)	(313,837)	(320,114)	(326,516)
Personal Property (2)		557,922	557,922	557,922	557,922	557,922	557,922	557,922	557,922	557,922	557,922	557,922
Total Projected Taxable Value		3,128,804	3,180,221	3,232,667	3,286,162	3,340,727	3,396,383	3,453,152	3,511,057	3,570,120	3,630,364	3,691,812
Taxable Value over Base	**1,539,131**	**1,589,673**	**1,641,091**	**1,693,537**	**1,747,032**	**1,801,596**	**1,857,252**	**1,914,022**	**1,971,926**	**2,030,989**	**2,091,233**	**2,152,682**
Tax Increment Revenue (3)		16,003	16,521	17,049	17,587	18,137	18,697	19,268	19,851	20,446	21,052	21,671
Unitary Tax Revenue		216	216	216	216	216	216	216	216	216	216	216
33676 Reductions (4)		(729)	(780)	(832)	(885)	(939)	(994)	(1,050)	(1,107)	(1,166)	(1,225)	(1,286)
Gross Revenues		**15,490**	**15,957**	**16,433**	**16,919**	**17,414**	**17,919**	**18,435**	**18,960**	**19,497**	**20,044**	**20,601**
<u>LESS:</u>												
Housing Set Aside Requirement (5)		(3,113)	(3,207)	(3,302)	(3,400)	(3,499)	(3,601)	(3,704)	(3,810)	(3,917)	(4,027)	(4,139)
SB 2557 Admin. Fee (6)		(144)	(148)	(152)	(157)	(162)	(166)	(171)	(176)	(181)	(186)	(191)
ERAF mandated costs (7)		(720)										
Pass Throughs												
Pass throughs to other agencies (8)		(3,093)	(3,201)	(3,312)	(3,426)	(3,546)	(3,668)	(3,793)	(3,921)	(4,051)	(4,184)	(4,318)
OPA/DDA Agreements												
Home Depot (9)		(99)	(99)	(99)								
Pledged Revenues (10)		**8,320**	**9,302**	**9,567**	**9,936**	**10,207**	**10,484**	**10,766**	**11,054**	**11,347**	**11,647**	**11,953**
Subordinate Pass Throughs												
Pass throughs subordinate to bond debt (11)		(95)	(98)	(101)	(104)	(108)	(111)	(115)	(118)	(122)	(126)	(129)
Total Revenues		**8,226**	**9,204**	**9,465**	**9,831**	**10,100**	**10,373**	**10,651**	**10,936**	**11,225**	**11,521**	**11,824**

Footnotes For Table 1

(1) Taxable values as reported by Orange County less a deduction of $7,567,051 from Improvements for projected loss of AV due to appeals (see Table 4 for details). Projections inflate Land, Improvements and Exemptions 2% per year.

(2) Personal property is held constant at 2003-04 level.

(3) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed project tax rate and adjusted for indebtedness approved by voters prior to 1988. The assumed future tax rates remain at $1.0067 per $100 of taxable value as published on Orange County Auditor Controller website.

(4) See Table 18, Southwest Project Area Amendment No. 1, for details of reductions.

(5) Housing Set Aside calculated at 20% of Adjusted Gross Revenue.

(6) Orange County Administration Fee is estimated at 0.928% of Gross Revenue. Factor given by County 2-25-03.

(7) One time ERAF mandated costs. 2003-2004 cost is Agency's projected allocation based on SB1045 shift of $135,000,000 as reported by the California Redevelopment Association. There are no scheduled future payments after 2003-04.

(8) See individual project area projections for details of pass throughs.

(9) See Table 30, Northwest Project Area, for details.

(10) Pledged revenues represent revenues available for debt service. These projections do not include any revenues from housing set-aside funds. However, 20% of the proceeds from the original Series 1993A and 1993B bonds were deposited into the low and moderate housing fund. As a result, 20% of the debt service of the refunding bonds can be payed from housing set-aside funds. Additionally, 20% of the bond proceeds from the Tustin Street Series 1997A and 1997B bonds were also deposited into the low and moderate-income housing fund. The Agency pays $ 158,958 annually from housing set-aside fund toward the debt service of the 1997 bonds. As a result, there is additional debt service coverage due to housing set aside revenues. GRC has not included housing set-aside funds in the pledged revenue projections since that would require the projection of the debt service required to refund the 1993 bonds.

(11) See individual project area projections for details of pass throughs.

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Table 2
Orange Merged and Amended Redevelopment Project
Extended Projection of Tax Increment Revenue
(000s Omitted)

	Total Taxable Value	Taxable Value Over Base 1,539,131	Tax Increment Revenue	33676 Reductions	Gross Revenues	SB 2557 Charge	Housing Set-Aside	ERAF Payments	Pass-Throughs Agreements	OPA's	Pledged Revenues	Subordinate Pass-Throughs	Total Revenues
2003-04	3,128,804	1,589,673	16,219	(729)	15,490	(144)	(3,113)	(720)	(3,093)	(99)	8,320	(95)	8,226
2004-05	3,180,221	1,641,091	16,737	(780)	15,957	(148)	(3,207)		(3,201)	(99)	9,302	(98)	9,204
2005-06	3,232,667	1,693,537	17,265	(832)	16,433	(152)	(3,302)		(3,312)	(99)	9,567	(101)	9,466
2006-07	3,286,162	1,747,032	17,804	(885)	16,919	(157)	(3,400)		(3,426)		9,936	(104)	9,831
2007-08	3,340,727	1,801,596	18,353	(939)	17,414	(162)	(3,499)		(3,546)		10,208	(108)	10,100
2008-09	3,396,383	1,857,252	18,913	(994)	17,919	(166)	(3,601)		(3,668)		10,484	(111)	10,373
2009-10	3,453,152	1,914,022	19,485	(1,050)	18,435	(171)	(3,704)		(3,793)		10,766	(115)	10,652
2010-11	3,511,057	1,971,926	20,068	(1,107)	18,960	(176)	(3,810)		(3,921)		11,054	(118)	10,936
2011-12	3,570,120	2,030,989	20,662	(1,166)	19,497	(181)	(3,917)		(4,051)		11,347	(122)	11,226
2012-13	3,630,364	2,091,233	21,269	(1,225)	20,044	(186)	(4,027)		(4,184)		11,647	(126)	11,521
2013-14	3,691,812	2,152,682	21,887	(1,286)	20,601	(191)	(4,139)		(4,319)		11,952	(129)	11,823
2014-15	3,754,490	2,215,360	22,518	(1,348)	21,170	(196)	(4,253)		(4,459)		12,262	(133)	12,129
2015-16	3,818,422	2,279,291	23,162	(1,411)	21,751	(202)	(4,369)		(4,604)		12,576	(137)	12,439
2016-17	3,883,632	2,344,501	23,818	(1,475)	22,343	(207)	(4,488)		(4,751)		12,896	(141)	12,755
2017-18	3,950,146	2,411,015	24,488	(1,541)	22,947	(213)	(4,609)		(4,906)		13,219	(145)	13,073
2018-19	4,017,990	2,478,860	25,171	(1,608)	23,563	(219)	(4,733)		(5,063)		13,547	(149)	13,398
2019-20	4,087,192	2,548,061	25,867	(1,677)	24,191	(224)	(4,859)		(5,224)		13,883	(154)	13,729
2020-21	4,157,777	2,618,646	26,578	(1,746)	24,832	(230)	(4,988)		(5,389)		14,225	(158)	14,067
2021-22	4,229,774	2,690,643	27,303	(1,818)	25,485	(237)	(5,119)		(5,556)		14,574	(162)	14,412
2022-23	4,303,211	2,764,080	28,042	(1,890)	26,152	(243)	(5,253)		(5,727)		14,930	(167)	14,763
2023-24	4,378,117	2,838,986	28,796	(1,964)	26,832	(249)	(5,389)		(5,901)		15,293	(171)	15,121
2024-25	4,454,521	2,915,390	29,565	(2,040)	27,526	(255)	(5,528)		(6,079)		15,663	(176)	15,487
2025-26	4,532,453	2,993,322	30,350	(2,117)	28,233	(262)	(5,670)		(6,260)		16,041	(181)	15,860
2026-27	4,611,943	3,072,813	31,150	(2,195)	28,955	(269)	(5,815)		(6,445)		16,426	(186)	16,240
2027-28	4,693,024	3,153,893	31,966	(2,276)	29,691	(276)	(5,963)		(6,634)		16,819	(191)	16,628
2028-29	4,775,726	3,236,595	32,799	(2,357)	30,442	(282)	(6,113)		(6,826)		17,220	(196)	17,024
2029-30	4,860,082	3,320,951	33,648	(2,441)	31,208	(290)	(6,267)		(7,023)		17,628	(201)	17,428
2030-31	4,946,125	3,406,994	34,514	(2,526)	31,989	(297)	(6,424)		(7,223)		18,045	(206)	17,839

For notes see Table 1.

Table 3
Orange Merged and Amended Redevelopment Project
Historical Values [1]

Secured [2]	Base Year Totals [3]	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Land	460,157,573	694,785,118	724,725,155	775,757,176	855,823,992	883,732,039	938,784,497	1,011,574,422
Impts	755,250,710	1,156,427,612	1,170,253,323	1,367,188,217	1,433,322,385	1,522,530,848	1,584,799,066	1,634,596,900
Pers Prop	30,373,904	61,739,780	60,623,072	94,881,045	110,136,646	118,820,761	95,840,385	60,691,751
Exemptions	36,846,662	145,719,903	164,448,799	175,979,528	253,787,657	275,044,036	227,373,850	195,785,679
Total Secured	**1,208,935,525**	**1,767,232,607**	**1,791,152,751**	**2,061,846,910**	**2,145,495,366**	**2,250,039,612**	**2,392,050,098**	**2,511,077,394**
Unsecured								
Land	548,417	4,677,262	2,735,019	2,893,997	3,784,699	2,998,424	2,882,038	2,215,873
Impts	132,327,980	165,674,317	132,146,146	220,194,456	194,479,965	182,814,823	193,961,927	197,918,506
Pers Prop	200,115,009	379,471,027	401,162,652	444,192,093	460,005,144	450,715,363	452,867,588	497,230,565
Exemptions	2,796,209	18,921,611	13,382,586	54,871,879	13,977,655	29,794,237	28,331,036	72,071,525
Total Unsecured	**330,195,197**	**530,900,995**	**522,661,231**	**612,408,667**	**644,292,153**	**606,734,373**	**621,380,517**	**625,293,419**
GRAND TOTAL	**1,539,130,722**	**2,298,133,602**	**2,313,813,982**	**2,674,255,577**	**2,789,787,519**	**2,856,773,985**	**3,013,430,615**	**3,136,370,813**
	Annual Change		**0.68%**	**15.58%**	**4.32%**	**2.40%**	**5.48%**	**4.08%**
	Incremental Value:	759,002,880	774,683,260	1,135,124,855	1,250,656,797	1,317,643,263	1,474,299,893	1,597,240,091

(1) Source: County of Orange Assessed Values Report, Equalized Tax Roll 1997-2003.
(2) Secured values include state assessed non-unitary utility property.
(3) Base year as reported by the County of Orange for 2003-04.

Table 4

Orange Merged and Amended Redevelopment Project
Analysis of Historical Appeals

	1998-99	1999-00	2000-01	2001-02	2002-03	Totals
Appeals Data (1)						
Total appeals filed	63	108	162	83	84	500
Appeals Resolved to date (2)	55	100	156	76	10	397
Appeals Resolved With Value Change (3)	17	16	28	9	2	72
Percent of resolved appeals successful	30.9%	16.0%	17.9%	11.8%	20.0%	18.1%
Initial Assessed Value of Successful Appeals	$36,434,682	$53,258,483	$35,441,043	$21,944,988	$589,071	$147,668,267
Board Approved Assessed Value	$40,050,083	$43,149,084	$28,710,352	$17,950,936	$492,000	$130,352,455
Percent Reduction in Original Value	-9.92%	18.98%	18.99%	18.20%		11.73%
Appeals pending	8	8	6	7	74	103
Value of Appeals Pending	$4,103,745	$4,055,772	$14,340,404	$13,532,011	$319,786,938	$355,818,870
Projected Assessed Value Loss Due to Outstanding Appeals (4)						**$7,567,051**

(1) Appeals data as provided by County of Orange as of 2/14/03. Analysis restricted to 1998 to 2003.

(2) Resolved appeals include successful, withdrawn, and denied appeals.

(3) Appeals resolved with value change includes only appeals with board approved valuation changes.

(4) Projected value loss is based on total assessed value of pending appeals, total percentage of resolved appeals successful, and total percentage reduction in original value.

Table 5
Orange Merged and Amended Redevelopment Project
2003/04 Top Ten Property Taxpayers

Top Property Owners Based On Gross Assessed Values (1)

	Secured			Unsecured			Total			
Owner	Value	Parcels	% of AV	Value	Parcels	% of AV	Value	% of AV	Primary Use	Project Area
1. EOP The City LLC	$181,811,940	10	7.24%	$36,323	2	0.01%	$181,848,263	5.80%	Commercial	Southwest Orig. Project Area
2. Orange City Mills Limited Partnership	$119,939,454	18	4.78%	$1,824,471		0.29%	$121,763,925	3.88%	Commercial	Southwest Orig. Project Area
3. Massachussetts Mutual (2)	$62,082,579	4	2.47%			0.00%	$62,082,579	1.98%	Commercial	Southwest Amend. No. 2
4. Pauline R. Murphy Trust	$44,782,520	1	1.78%			0.00%	$44,782,520	1.43%	Commercial	Southwest Amend. No. 1
5. SSR Realty Advisors (2)	$43,717,316	1	1.74%			0.00%	$43,717,316	1.39%	Residential	Southwest Amend. No. 2
6. EOP-1100 EXECUTIVE TOWER	$36,992,755	1	1.47%			0.00%	$36,992,755	1.18%	Commercial	Southwest Amend. No. 2
7. EOP Orange LLC	$36,743,883	16	1.46%			0.00%	$36,743,883	1.17%	Commercial	Southwest Amend. No. 1
8. RB ORANGE LP (2)	$36,019,968	6	1.43%			0.00%	$36,019,968	1.15%	Commercial	Tustin Street Orig. Project Area
9. Varco International Inc.			0.00%	$32,309,347	4	5.17%	$32,309,347	1.03%	Unsecured	Northwest Project Area
10. Syufy Enterprises (2)	$28,840,541	4	1.15%			0.00%	$28,840,541	0.92%	Commercial	Northwest Project Area
Top Ten Totals	**$590,930,956**		23.53%	**$34,170,141**		5.46%	**$625,101,097**	19.93%		

(1) Source: County of Orange, 2003-04 Equalized Tax Rolls
(2) Pending Appeals on parcels with total assessed valuation of $145,573,461.

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Table 6
Tustin Street Original Project Area
Projection of Tax Increment Revenue
(000's Omitted)

Taxable Values (1)		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Land		113,027	115,288	117,593	119,945	122,344	124,791	127,287	129,832	132,429	135,078	137,779
Improvements		138,353	141,120	143,942	146,821	149,758	152,753	155,808	158,924	162,102	165,344	168,651
Less Exemptions		(1,059)	(1,081)	(1,102)	(1,124)	(1,147)	(1,170)	(1,193)	(1,217)	(1,241)	(1,266)	(1,291)
Personal Property (2)		23,900	23,900	23,900	23,900	23,900	23,900	23,900	23,900	23,900	23,900	23,900
Total Projected Taxable Value		274,221	279,227	284,334	289,542	294,855	300,274	305,802	311,440	317,191	323,056	329,039
Taxable Value over Base	**126,559**	**147,661**	**152,668**	**157,774**	**162,983**	**168,296**	**173,715**	**179,242**	**184,880**	**190,631**	**196,497**	**202,480**
Gross Tax Increment Revenue (3)		1,487	1,537	1,588	1,641	1,694	1,749	1,804	1,861	1,919	1,978	2,038
Unitary Tax Revenue		85	85	85	85	85	85	85	85	85	85	85
Adjusted Gross Revenues		**1,571**	**1,622**	**1,673**	**1,725**	**1,779**	**1,834**	**1,889**	**1,946**	**2,004**	**2,063**	**2,123**
LESS:												
Housing Set Aside Requirement (4)		(314)	(324)	(335)	(345)	(356)	(367)	(378)	(389)	(401)	(413)	(425)
SB 2557 Admin. Fee (5)		(15)	(15)	(16)	(16)	(17)	(17)	(18)	(18)	(19)	(19)	(20)
Pass Throughs												
Orange Unified School District (6)		(156)	(161)	(166)	(171)	(176)	(182)	(187)	(193)	(199)	(204)	(210)
Statutory Pass Throughs (7)			(2)	(3)	(5)	(6)	(8)	(10)	(12)	(13)	(15)	(17)
Total Pass Throughs		(156)	(162)	(169)	(176)	(183)	(190)	(197)	(204)	(212)	(220)	(227)
Pledged Revenues		**1,087**	**1,120**	**1,154**	**1,189**	**1,224**	**1,260**	**1,297**	**1,334**	**1,373**	**1,412**	**1,451**
Subordinate Pass Throughs												
County of Orange (8)		(44)	(46)	(47)	(49)	(51)	(52)	(54)	(56)	(57)	(59)	(61)
Total Revenues		**1,042**	**1,074**	**1,107**	**1,140**	**1,173**	**1,208**	**1,243**	**1,279**	**1,315**	**1,352**	**1,390**

Footnotes For Table 6

(1) Taxable values as reported by Orange County. Projections inflate Land, Improvements and Exemptions 2% per year.

(2) Personal property is held constant at 2003-04 level.

(3) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed project tax rate and adjusted for indebtedness approved by voters prior to 1988. The assumed future tax rates remain at $1.0067 per $100 of taxable value as published on Orange County Auditor Controller website.

(4) Housing Set Aside calculated at 20% of Adjusted Gross Revenue.

(5) Orange County Administration Fee is estimated at 0.928% of Gross Revenue.

(6) Orange County Unified School District receives 10% of the gross tax increment revenues less the County administration fee.

(7) The time limit to incur debt was extended pursuant to SB 211. Statutory pass throughs to agencies that do not have a current tax sharing agreement will begin 2004-2005 at a rate of 20% of incremental growth from base year 2003-2004. An additional pass through will begin in 2014-2015 at 16.8% of incremental growth. These taxing agencies have a combined share of 15.49%.

(8) Orange County General Fund and Flood Control District receive a combined share of 3.01% of the general levy tax increment. The District's payments are <u>subordinate</u> to debt service.

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Table 7
Tustin Street Original Project Area
Extended Projection of Tax Increment Revenue
(000s Omitted)

	Total Taxable Value	Taxable Value Over Base 126,559	Gross Tax Revenue	Housing Set-Aside	SB 2557 Charge	Pass-Throughs Agreements	Pledged Revenues	Subordinate Pass-Throughs	Total Revenues
2003-04	274,221	147,661	1,571	(314)	(15)	(156)	1,087	(44)	1,042
2004-05	279,227	152,668	1,622	(324)	(15)	(162)	1,120	(46)	1,074
2005-06	284,334	157,774	1,673	(335)	(16)	(169)	1,154	(47)	1,107
2006-07	289,542	162,983	1,725	(345)	(16)	(176)	1,189	(49)	1,140
2007-08	294,855	168,296	1,779	(356)	(17)	(183)	1,224	(51)	1,173
2008-09	300,274	173,715	1,834	(367)	(17)	(190)	1,260	(52)	1,208
2009-10	305,802	179,242	1,889	(378)	(18)	(197)	1,297	(54)	1,243
2010-11	311,440	184,880	1,946	(389)	(18)	(204)	1,334	(56)	1,279
2011-12	317,191	190,631	2,004	(401)	(19)	(212)	1,373	(57)	1,315
2012-13	323,056	196,497	2,063	(413)	(19)	(220)	1,412	(59)	1,352
2013-14	329,039	202,480	2,123	(425)	(20)	(227)	1,451	(61)	1,390
2014-15	335,142	208,583	2,185	(437)	(20)	(237)	1,490	(63)	1,428
2015-16	341,367	214,808	2,247	(449)	(21)	(247)	1,530	(65)	1,465
2016-17	347,716	221,157	2,311	(462)	(21)	(257)	1,571	(67)	1,504
2017-18	354,193	227,633	2,376	(475)	(22)	(267)	1,612	(69)	1,544
2018-19	360,799	234,239	2,443	(489)	(23)	(277)	1,654	(71)	1,584
2019-20	367,537	240,977	2,511	(502)	(23)	(288)	1,697	(73)	1,625
2020-21	374,409	247,850	2,580	(516)	(24)	(299)	1,741	(75)	1,667
2021-22	381,419	254,860	2,650	(530)	(25)	(310)	1,786	(77)	1,709
2022-23	388,570	262,010	2,722	(544)	(25)	(321)	1,832	(79)	1,753
2023-24	395,863	269,304	2,796	(559)	(26)	(332)	1,878	(81)	1,797
2024-25	403,303	276,743	2,871	(574)	(27)	(344)	1,926	(83)	1,842
2025-26	410,891	284,331	2,947	(589)	(27)	(356)	1,974	(86)	1,889
2026-27	418,630	292,071	3,025	(605)	(28)	(368)	2,024	(88)	1,936
2027-28	426,525	299,966	3,104	(621)	(29)	(381)	2,074	(90)	1,984
2028-29	434,577	308,018	3,186	(637)	(30)	(393)	2,126	(93)	2,033
2029-30	442,791	316,232	3,268	(654)	(30)	(406)	2,178	(95)	2,083
2030-31	451,169	324,609	3,353	(671)	(31)	(419)	2,232	(98)	2,134

For notes see Table 6.

Table 8
Tustin Street Original Project Area
Historical Values [1]

Secured [2]	Base Year 1983-84 [3]	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Land	37,102,254	79,554,564	89,325,350	88,110,806	92,736,282	98,368,525	102,434,832	112,931,652
Impts	61,422,432	91,097,800	105,122,181	110,228,374	110,899,921	116,815,864	120,392,637	115,260,125
Pers Prop	223,779	412,767	470,368	664,680	631,390	513,305	229,100	200,901
Exemptions	0	0	0		0	5,516,224	6,136,327	1,059,348
Total Secured	**98,748,465**	**171,065,131**	**194,917,899**	**199,003,860**	**204,267,593**	**210,181,470**	**216,920,242**	**227,333,330**
Unsecured								
Land	0	206,573	210,705	223,084	700,083	228,825	231,651	95,331
Impts	17,041,997	18,000,849	16,649,081	18,786,097	23,231,126	25,409,832	23,157,639	23,092,741
Pers Prop	10,768,980	19,946,115	24,699,956	23,581,286	25,050,148	30,222,945	24,415,471	23,699,277
Exemptions	0	1,853	1,386	0	2,396	0	0	
Total Unsecured	**27,810,977**	**38,151,684**	**41,558,356**	**42,590,467**	**48,978,961**	**55,861,602**	**47,804,761**	**46,887,349**
GRAND TOTAL	**126,559,442**	**209,216,815**	**236,476,255**	**241,594,327**	**253,246,554**	**266,043,072**	**264,725,003**	**274,220,679**
	Annual Change		**13.03%**	**2.16%**	**4.82%**	**5.05%**	**-0.50%**	**3.59%**
	Incremental Value:	82,657,373	109,916,813	115,034,885	126,687,112	139,483,630	138,165,561	147,661,237

[1] Source: County of Orange Assessed Values Report, Equalized Tax Roll 1997-2003.
[2] Secured values include state assessed non-unitary utility property.
[3] Base year as reported by the County of Orange for 2003-04.

Table 9

Tustin Street Original Project Area
Analysis of Historical Appeals

	1998-99	1999-00	2000-01	2001-02	2002-03
Appeals Data (1)					
Total appeals filed	19	32	25	22	14
Appeals Resolved to date (2)	15	28	23	21	2
Appeals Resolved With Value Change (3)	3	5	5	2	0
Percent of resolved appeals successful	20.0%	17.9%	21.7%	9.5%	0.0%
Initial Assessed Value of Successful Appeals	$1,747,688	$9,360,384	$3,514,706	$2,023,810	
Board Approved Assessed Value	$2,098,805	$7,065,552	$2,749,629	$1,369,261	
Percent Reduction in Original Value	-20.09%	24.52%	21.77%	32.34%	
Appeals pending	4	4	2	1	12
Value of Appeals Pending	$1,681,434	$1,698,559	$349,570	$187,501	$43,417,828

(1) Appeals data as provided by County of Orange as of 2/14/03. Analysis restricted to 1998 to 2003.

(2) Resolved appeals include successful, withdrawn, and denied appeals.

(3) Appeals resolved with value change includes only appeals with board approved valuation changes.

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Table 10
Tustin Street Project Area Amendment No. 1
Projection of Tax Increment Revenue
(000's Omitted)

Taxable Values (1)		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Land		62,172	63,415	64,683	65,977	67,296	68,642	70,015	71,416	72,844	74,301	75,787
Improvements		83,966	85,646	87,359	89,106	90,888	92,706	94,560	96,451	98,380	100,348	102,354
Less Exemptions		(1,495)	(1,525)	(1,556)	(1,587)	(1,619)	(1,651)	(1,684)	(1,718)	(1,752)	(1,787)	(1,823)
Personal Property (2)		16,217	16,217	16,217	16,217	16,217	16,217	16,217	16,217	16,217	16,217	16,217
Total Projected Taxable Value		160,859	163,752	166,703	169,712	172,782	175,914	179,107	182,365	185,688	189,078	192,535
Taxable Value over Base	**96,277**	**64,582**	**67,475**	**70,426**	**73,436**	**76,505**	**79,637**	**82,831**	**86,089**	**89,411**	**92,801**	**96,258**
Gross Tax Increment Revenue (3)		650	679	709	739	770	802	834	867	900	934	969
Unitary Tax Revenue		1	1	1	1	1	1	1	1	1	1	1
Adjusted Gross Revenues		**651**	**680**	**710**	**740**	**771**	**803**	**835**	**868**	**901**	**935**	**970**
LESS:												
Housing Set Aside Requirement (4)		(130)	(136)	(142)	(148)	(154)	(161)	(167)	(174)	(180)	(187)	(194)
SB 2557 Admin. Fee (5)		(6)	(6)	(7)	(7)	(7)	(7)	(8)	(8)	(8)	(9)	(9)
Pass Throughs												
Orange Unified School District (6)		(101)	(105)	(110)	(114)	(119)	(124)	(129)	(134)	(139)	(145)	(150)
Rancho Santiago Community College (7)		(15)	(16)	(16)	(17)	(18)	(18)	(19)	(20)	(21)	(21)	(22)
Orange County General Fund (8)		(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
Orange County Flood Control District (9)		(13)	(13)	(14)	(15)	(15)	(16)	(17)	(17)	(18)	(19)	(19)
Orange County Harbors, Beaches & Parks (10)		(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Orange County Water District (11)		(4)	(5)	(5)	(5)	(5)	(5)	(6)	(6)	(6)	(6)	(7)
Orange County Sanitation District #2 (12)		(5)	(5)	(5)	(6)	(6)	(6)	(6)	(7)	(7)	(7)	(7)
Statutory Pass Throughs (13)							(0)	(0)	(0)	(0)	(0)	(0)
Total Pass Throughs		(161)	(168)	(175)	(183)	(190)	(198)	(206)	(215)	(223)	(231)	(240)
Pledged Revenues		**354**	**370**	**386**	**403**	**419**	**436**	**454**	**472**	**490**	**508**	**527**
Subordinate Pass Throughs												
Orange County Department of Education (14)		(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total Revenues		**353**	**369**	**385**	**402**	**419**	**436**	**453**	**471**	**489**	**507**	**526**

Footnotes For Table 10

(1) Taxable values as reported by Orange County. Projections inflate Land, Improvements and Exemptions 2% per year.

(2) Personal property is held constant at 2003-04 level.

(3) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed project tax rate and adjusted for indebtedness approved by voters prior to 1988. The assumed future tax rates are held at $1.0067 per $100 of taxable value as published on County Auditor Controller website.

(4) Housing Set Aside calculated at 20% of Adjusted Gross Revenue less 20% of debt service payments for 1996 Series A and Series B bonds as reported by the City Orange Finance Department.

(5) Orange County Administration Fee is estimated at 0.928% of Gross Revenue.

(6) Orange County Unified School District receives 1/3 of its share (47.16%) of general levy tax increment less County admin. fee.

(7) Rancho Santiago Community College District receives 30% of its share (7.78%) of general levy tax increment less County admin. fee.

(8) Orange County General Fund receives 50% of its share (6.28%) of general levy tax increment.

(9) Orange County Flood Control District receives its share (2.01%) of general levy tax increment.

(10) Orange County Harbors, Beaches, and Parks receives 30% of its share (1.56%) of general levy tax increment.

(11) Orange County Water District receives the greater of 80% of its weighted share (0.86%) of general levy tax increment less County admin. fee or its share of inflationary growth.

(12) Orange County Sanitation District #2 receives the greater of one-third of its share (2.17%) of general levy tax increment generated in TRA 08173 less County admin. fee or its share of inflationary growth.

(13) The time limit to incur debt was extended pursuant to SB 211. Statutory pass throughs to agencies that do not have a current tax sharing agreement will begin 2008-2009 at a rate of 20% of incremental growth from base year 2007-2008. An additional pass through will begin in 2018-2019 at 16.8% of incremental growth. These taxing agencies have a combined share of 1.04%.

(14) Orange County Department of Education receives 25% of its share (0.46%) of general levy tax increment less county admin fee. Payments to the Department are <u>subordinate</u> to bond debt.

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Table 11
Tustin Street Project Area Amendment No. 1
Extended Projection of Tax Increment Revenue
(000s Omitted)

	Total Taxable Value	Taxable Value Over Base 96,277	Gross Tax Revenue	Housing Set-Aside	SB 2557 Charge	Pass-Throughs Agreements	Pledged Revenues	Subordinate Pass-Throughs	Total Revenues
2003-04	160,859	64,582	651	(130)	(6)	(161)	354	(1)	353
2004-05	163,752	67,475	680	(136)	(6)	(168)	370	(1)	369
2005-06	166,703	70,426	710	(142)	(7)	(175)	386	(1)	385
2006-07	169,712	73,436	740	(148)	(7)	(183)	403	(1)	402
2007-08	172,782	76,505	771	(154)	(7)	(190)	419	(1)	419
2008-09	175,914	79,637	803	(161)	(7)	(198)	436	(1)	436
2009-10	179,107	82,831	835	(167)	(8)	(206)	454	(1)	453
2010-11	182,365	86,089	868	(174)	(8)	(215)	472	(1)	471
2011-12	185,688	89,411	901	(180)	(8)	(223)	490	(1)	489
2012-13	189,078	92,801	935	(187)	(9)	(231)	508	(1)	507
2013-14	192,535	96,258	970	(194)	(9)	(240)	527	(1)	526
2014-15	196,061	99,784	1,006	(201)	(9)	(249)	546	(1)	545
2015-16	199,658	103,381	1,042	(208)	(10)	(258)	566	(1)	565
2016-17	203,327	107,050	1,079	(216)	(10)	(267)	586	(1)	585
2017-18	207,069	110,792	1,116	(223)	(10)	(276)	606	(1)	605
2018-19	210,886	114,609	1,155	(231)	(11)	(286)	627	(1)	626
2019-20	214,780	118,503	1,194	(239)	(11)	(296)	648	(1)	647
2020-21	218,751	122,474	1,234	(247)	(11)	(306)	670	(1)	668
2021-22	222,802	126,525	1,275	(255)	(12)	(316)	692	(1)	690
2022-23	226,933	130,657	1,316	(263)	(12)	(327)	714	(1)	713
2023-24	231,148	134,871	1,359	(272)	(13)	(337)	737	(2)	736
2024-25	235,446	139,169	1,402	(280)	(13)	(348)	761	(2)	759
2025-26	239,831	143,554	1,446	(289)	(13)	(359)	784	(2)	783
2026-27	244,303	148,026	1,491	(298)	(14)	(370)	809	(2)	807
2027-28	248,865	152,588	1,537	(307)	(14)	(382)	834	(2)	832
2028-29	253,518	157,241	1,584	(317)	(15)	(394)	859	(2)	857
2029-30	258,264	161,987	1,632	(326)	(15)	(406)	885	(2)	883
2030-31	263,105	166,828	1,681	(336)	(16)	(418)	911	(2)	909

For notes see Table 10.

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Table 12
Tustin Street Project Area Amendment No. 1
Historical Values [1]

Secured [2]	Base Year 1987-88 [3]	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Land	30,704,799	45,849,181	48,902,156	50,613,626	53,563,189	57,706,996	59,541,562	62,171,545
Impts	41,398,660	64,742,933	61,279,009	64,733,373	67,022,743	73,824,456	74,343,044	76,602,651
Pers Prop	249,219	115,689	140,217	301,009	389,891	358,963	606,919	874,801
Exemptions	258,057	268,265	299,232	302,473	386,746	389,797	387,858	389,163
Total Secured	**72,094,621**	**110,439,538**	**110,022,150**	**115,345,535**	**120,589,077**	**131,500,618**	**134,103,667**	**139,259,834**
Unsecured								
Land		143,031			844,852		321,788	
Impts	9,151,660	8,583,233	5,892,268	5,944,395	6,023,631	7,093,582	7,149,956	7,363,675
Pers Prop	15,043,257	19,279,093	18,253,927	17,267,978	15,502,948	16,026,547	15,562,627	15,341,766
Exemptions	12,751	34,810	30,709	96,818	102,804	179,717	95,211	1,106,248
Total Unsecured	**24,182,166**	**27,970,547**	**24,115,486**	**23,115,555**	**22,268,627**	**22,940,412**	**22,939,160**	**21,599,193**
GRAND TOTAL	**96,276,787**	**138,410,085**	**134,137,636**	**138,461,090**	**142,857,704**	**154,441,030**	**157,042,827**	**160,859,027**
	Annual Change		**-3.09%**	**3.22%**	**3.18%**	**8.11%**	**1.68%**	**2.43%**
	Incremental Value:	42,133,298	37,860,849	42,184,303	46,580,917	58,164,243	60,766,040	64,582,240

[1] Source: County of Orange Assessed Values Report, Equalized Tax Roll 1997-2003.
[2] Secured values include state assessed non-unitary utility property.
[3] Base year as reported by the County of Orange for 2003-04.

Table 13

Tustin Street Project Area Amendment No. 1
Analysis of Historical Appeals

	1998-99	1999-00	2000-01	2001-02	2002-03
Appeals Data (1)					
Total appeals filed	5	8	10	6	8
Appeals Resolved to date (2)	5	8	9	6	0
Appeals Resolved With Value Change (3)	4	1	2	1	0
Percent of resolved appeals successful	80.0%	12.5%	22.2%	16.7%	
Initial Assessed Value of Successful Appeals	$8,390,045	$82,330	$5,647,761	$3,271,052	
Board Approved Assessed Value	$8,669,446	$153,296	$3,740,000	$1,935,242	
Percent Reduction in Original Value	-3.33%	-86.20%	33.78%	40.84%	
Appeals pending	0	0	1	0	8
Value of Appeals Pending			$142,683		$8,816,342

(1) Appeals data as provided by County of Orange as of 2/14/03. Analysis restricted to 1998 to 2003.
(2) Resolved appeals include successful, withdrawn, and denied appeals.
(3) Appeals resolved with value change includes only appeals with board approved valuation changes.

Table 14
Southwest Original Project Area
Projection of Tax Increment Revenue
(000's Omitted)

Taxable Values (1)		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Land		82,888	84,546	86,237	87,961	89,721	91,515	93,345	95,212	97,117	99,059	101,040
Improvements		309,567	315,758	322,073	328,515	335,085	341,787	348,623	355,595	362,707	369,961	377,360
Less Exemptions		(2,439)	(2,488)	(2,538)	(2,589)	(2,640)	(2,693)	(2,747)	(2,802)	(2,858)	(2,915)	(2,974)
Personal Property (2)		62,309	62,309	62,309	62,309	62,309	62,309	62,309	62,309	62,309	62,309	62,309
Total Projected Taxable Value		452,324	460,125	468,081	476,196	484,474	492,917	501,530	510,314	519,274	528,413	537,736
Taxable Value over Base	**137,668**	**314,657**	**322,457**	**330,413**	**338,529**	**346,806**	**355,250**	**363,852**	**372,646**	**381,606**	**390,746**	**400,068**
Gross Tax Increment Revenue (3)		3,168	3,246	3,326	3,408	3,491	3,576	3,663	3,751	3,842	3,934	4,027
Unitary Tax Revenue		21	21	21	21	21	21	21	21	21	21	21
Adjusted Gross Revenues		**3,189**	**3,267**	**3,347**	**3,429**	**3,512**	**3,597**	**3,684**	**3,772**	**3,863**	**3,955**	**4,049**
LESS:												
Housing Set Aside Requirement (4)		(638)	(653)	(669)	(686)	(702)	(719)	(737)	(754)	(773)	(791)	(810)
SB 2557 Admin. Fee (5)		(30)	(30)	(31)	(32)	(33)	(33)	(34)	(35)	(36)	(37)	(38)
Pass Throughs												
Orange County Unified School District (6)		(316)	(324)	(332)	(340)	(348)	(356)	(365)	(374)	(383)	(392)	(401)
Orange County General Fund and Flood Control (7)		(95)	(97)	(99)	(102)	(104)	(107)	(110)	(112)	(115)	(118)	(120)
Statutory Pass Throughs (8)				(2)	(4)	(7)	(9)	(11)	(14)	(16)	(19)	(21)
Total Pass Throughs		(411)	(421)	(433)	(446)	(459)	(472)	(486)	(500)	(514)	(528)	(543)
Pledged Revenues		**2,111**	**2,163**	**2,213**	**2,265**	**2,318**	**2,372**	**2,427**	**2,483**	**2,540**	**2,599**	**2,658**
Subordinate Pass Throughs												
Orange County Department of Education (9)		(14)	(15)	(15)	(15)	(16)	(16)	(16)	(17)	(17)	(18)	(18)
Total Revenues		**2,097**	**2,148**	**2,199**	**2,250**	**2,303**	**2,356**	**2,411**	**2,466**	**2,523**	**2,581**	**2,640**

Footnotes For Table 14

(1) Taxable values as reported by Orange County. Projections inflate Land, Improvements and Exemptions 2% per year.

(2) Personal property is held constant at 2003-04 level.

(3) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed project tax rate and adjusted for indebtedness approved by voters prior to 1988. The assumed future tax rates are held at $1.0067 per $100 of taxable value as published on County Auditor Controller website.

(4) Housing Set Aside calculated at 20% of Adjusted Gross Revenues.

(5) Orange County Administration Fee is estimated at 0.928% of Gross Revenue.

(6) Orange County Unified School District receives 10% of the gross tax increment less County admin fees.

(7) Orange County General Fund and Flood Control District receive a combined share of 3.01% of general levy tax increment.

(8) The time limit to incur debt was extended pursuant to SB 211. Statutory pass throughs to agencies that do not have a current tax sharing agreement will begin 2005-2006 at a rate of 20% of incremental growth from base year 2004-2005. An additional pass through will begin in 2015-2016 at 16.8% of incremental growth. These taxing agencies have a combined share of 13.7%.

(9) Orange County Department of Education receives 25% of its share (1.82%) of general levy tax increment less County admin fees. This obligation is <u>subordinate</u> to bond debt.

Table 15
Southwest Original Project Area
Extended Projection of Tax Increment Revenue
(000s Omitted)

	Total Taxable Value	Taxable Value Over Base 137,668	Gross Tax Revenue	SB 2557 Charge	Housing Set-Aside	Pass-Throughs Agreements	Pledged Revenues	Subordinate Pass-Throughs	Total Revenues
2003-04	452,324	314,657	3,189	(30)	(638)	(411)	2,111	(14)	2,097
2004-05	460,125	322,457	3,267	(30)	(653)	(421)	2,163	(15)	2,148
2005-06	468,081	330,413	3,347	(31)	(669)	(433)	2,213	(15)	2,199
2006-07	476,196	338,529	3,429	(32)	(686)	(446)	2,265	(15)	2,250
2007-08	484,474	346,806	3,512	(33)	(702)	(459)	2,318	(16)	2,303
2008-09	492,917	355,250	3,597	(33)	(719)	(472)	2,372	(16)	2,356
2009-10	501,530	363,862	3,684	(34)	(737)	(486)	2,427	(16)	2,411
2010-11	510,314	372,646	3,772	(35)	(754)	(500)	2,483	(17)	2,466
2011-12	519,274	381,606	3,863	(36)	(773)	(514)	2,540	(17)	2,523
2012-13	528,413	390,746	3,955	(37)	(791)	(528)	2,599	(18)	2,581
2013-14	537,736	400,068	4,049	(38)	(810)	(543)	2,658	(18)	2,640
2014-15	547,244	409,576	4,144	(38)	(829)	(558)	2,719	(18)	2,701
2015-16	556,943	419,275	4,242	(39)	(848)	(575)	2,779	(19)	2,760
2016-17	566,835	429,168	4,341	(40)	(868)	(593)	2,840	(19)	2,820
2017-18	576,926	439,258	4,443	(41)	(889)	(612)	2,902	(20)	2,882
2018-19	587,218	449,551	4,547	(42)	(909)	(630)	2,965	(20)	2,945
2019-20	597,717	460,049	4,652	(43)	(930)	(649)	3,030	(21)	3,009
2020-21	608,425	470,757	4,760	(44)	(952)	(668)	3,095	(21)	3,074
2021-22	619,347	481,679	4,870	(45)	(974)	(688)	3,163	(22)	3,141
2022-23	630,488	492,820	4,982	(46)	(996)	(708)	3,231	(22)	3,209
2023-24	641,851	504,184	5,097	(47)	(1,019)	(729)	3,301	(23)	3,278
2024-25	653,442	515,775	5,213	(48)	(1,043)	(750)	3,372	(23)	3,349
2025-26	665,265	527,597	5,332	(49)	(1,066)	(771)	3,445	(24)	3,421
2026-27	677,324	539,656	5,454	(51)	(1,091)	(793)	3,519	(24)	3,495
2027-28	689,624	551,957	5,578	(52)	(1,116)	(815)	3,595	(25)	3,570
2028-29	702,171	564,503	5,704	(53)	(1,141)	(838)	3,672	(25)	3,647
2029-30	714,968	577,300	5,833	(54)	(1,167)	(861)	3,751	(26)	3,725
2030-31	728,021	590,353	5,964	(55)	(1,193)	(885)	3,831	(27)	3,805

For notes see Table 14.

Table 16
Southwest Original Project Area
Historical Values [1]

Secured [2]	Base Year 1984-85 [3]	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Land	33,674,491	58,320,088	51,109,335	67,089,840	70,981,034	72,468,584	80,601,419	82,186,673
Impts	77,059,597	121,218,848	99,823,423	224,912,902	237,498,209	237,079,475	253,803,880	258,338,161
Pers Prop	387,460	364	446	305	48,539	63,792	8,957,102	46,632
Exemptions	854,813							
Total Secured	**110,266,735**	**179,539,300**	**150,933,204**	**292,003,047**	**308,527,782**	**309,611,851**	**343,362,401**	**340,571,466**
Unsecured								
Land	265,327	1,449,762	1,288,050	833,696	765,399	777,541	722,273	701,351
Impts	11,837,970	10,302,327	9,526,167	34,739,975	44,221,809	44,151,908	40,930,872	51,228,832
Pers Prop	15,494,903	36,469,781	34,534,115	67,411,045	60,940,525	67,331,106	46,367,912	62,261,995
Exemptions	197,218	683,588	951,551	18,292	998,101	26,209	527,683	2,439,347
Total Unsecured	**27,400,982**	**47,538,282**	**44,396,781**	**102,966,424**	**104,929,632**	**112,234,346**	**87,493,374**	**111,752,831**
GRAND TOTAL	**137,667,717**	**227,077,582**	**195,329,985**	**394,969,471**	**413,457,414**	**421,846,197**	**430,855,775**	**452,324,297**
	Annual Change		**-13.98%**	**102.21%**	**4.68%**	**2.03%**	**2.14%**	**4.98%**
	Incremental Value:	89,409,865	57,662,268	257,301,754	275,789,697	284,178,480	293,188,058	314,656,580

[1] Source: County of Orange Assessed Values Report, Equalized Tax Roll 1997-2003.
[2] Secured values include state assessed non-unitary utility property.
[3] Base year as reported by the County of Orange for 2003-04.

Table 17
Southwest Original Project Area
Analysis of Historical Appeals

	1998-99	1999-00	2000-01	2001-02	2002-03
Appeals Data (1)					
Total appeals filed	1	8	9	3	3
Appeals Resolved to date (2)	1	8	8	2	0
Appeals Resolved With Value Change (3)	1	0	1	0	0
Percent of resolved appeals successful	100.0%	0.0%	12.5%	0.0%	
Initial Assessed Value of Successful Appeals	$9,500,000		$5,669,415		
Board Approved Assessed Value	$12,853,120		$4,367,976		
Percent Reduction in Original Value	-35.30%		22.96%		
Appeals pending	0	0	1	1	3
Value of Appeals Pending			$106,802	$628,677	$32,353,249

(1) Appeals data as provided by County of Orange as of 2/14/03. Analysis restricted to 1998 to 2003.
(2) Resolved appeals include successful, withdrawn, and denied appeals.
(3) Appeals resolved with value change includes only appeals with board approved valuation changes.

Table 18
Southwest Project Area Amendment No. 1
Projection of Tax Increment Revenue
(000's Omitted)

Taxable Values (1)		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Land		171,781	175,216	178,721	182,295	185,941	189,660	193,453	197,322	201,268	205,294	209,400
Improvements		474,734	484,229	493,914	503,792	513,868	524,145	534,628	545,320	556,227	567,351	578,698
Less Exemptions		(256,736)	(261,673)	(267,111)	(272,453)	(277,902)	(283,460)	(289,129)	(294,912)	(300,810)	(306,626)	(312,963)
Personal Property (2)		148,399	148,399	148,399	148,399	148,399	148,399	148,399	148,399	148,399	148,399	148,399
Total Projected Taxable Value		538,175	545,971	553,922	562,033	570,306	578,744	587,351	596,130	605,084	614,218	623,534
Taxable Value over Base	**260,621**	**277,554**	**285,350**	**293,301**	**301,412**	**309,684**	**318,122**	**326,729**	**335,508**	**344,463**	**353,597**	**362,913**
Gross Tax Increment Revenue (3)		2,794	2,873	2,953	3,034	3,118	3,203	3,289	3,378	3,468	3,560	3,653
Unitary Tax Revenue		93	93	93	93	93	93	93	93	93	93	93
Gross Revenues		**2,888**	**2,966**	**3,046**	**3,128**	**3,211**	**3,296**	**3,383**	**3,471**	**3,561**	**3,653**	**3,747**
33676 Reductions in Tax Increment												
Rancho Santiago Community College District (4)		(80)	(86)	(92)	(97)	(103)	(109)	(115)	(122)	(128)	(135)	(141)
Orange Unified School District (5)		(487)	(520)	(555)	(590)	(626)	(663)	(700)	(739)	(778)	(817)	(858)
North Orange County Community College District (6)		(1)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)
Orange County Department of Education (7)		(19)	(20)	(22)	(23)	(24)	(26)	(27)	(29)	(30)	(32)	(34)
City of Orange (8)		(142)	(152)	(163)	(173)	(183)	(194)	(205)	(216)	(228)	(239)	(251)
Total 33676 Reductions		(729)	(780)	(832)	(885)	(939)	(994)	(1,050)	(1,107)	(1,166)	(1,225)	(1,286)
Adjusted Gross Revenues		**2,158**	**2,186**	**2,214**	**2,243**	**2,272**	**2,302**	**2,333**	**2,364**	**2,396**	**2,428**	**2,461**
LESS:												
Housing Set Aside Requirement (9)		(432)	(437)	(443)	(449)	(454)	(460)	(467)	(473)	(479)	(486)	(492)
SB 2557 Admin. Fee (10)		(20)	(20)	(21)	(21)	(21)	(21)	(22)	(22)	(22)	(23)	(23)
Pass Throughs												
Orange County General Fund (11)		(32)	(32)	(33)	(33)	(34)	(34)	(35)	(35)	(36)	(36)	(37)
Orange County Flood Control (12)		(41)	(42)	(42)	(43)	(43)	(44)	(45)	(45)	(46)	(46)	(47)
Anaheim City Elementary School District (13)		(58)	(59)	(60)	(60)	(61)	(62)	(63)	(64)	(65)	(66)	(66)
Anaheim City High School District (14)		(37)	(37)	(38)	(39)	(39)	(40)	(40)	(41)	(41)	(42)	(42)
Statutory Pass Throughs (15)						(4)	(7)	(11)	(15)	(19)	(23)	(27)
Total Pass Throughs		(168)	(170)	(173)	(175)	(181)	(187)	(193)	(200)	(206)	(213)	(218)
Pledged Revenues		**1,538**	**1,558**	**1,578**	**1,598**	**1,616**	**1,633**	**1,651**	**1,670**	**1,688**	**1,707**	**1,728**

Footnotes For Table 18

(1) Taxable values as reported by Orange County. Projections inflate Land, Improvements and Exemptions 2% per year.

(2) Personal property is held constant at 2003-04 level.

(3) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed project tax rate and adjusted for indebtedness approved by voters prior to 1988. The assumed future tax rates are held at $1.0067 per $100 of taxable value as published on County Auditor Controller website.

(4) Rancho Santiago Community College District receives its share (7.65%) of inflationary growth pursuant to section 33676 of the California Health & Safety Code

(5) Orange Unified School District receives its share (46.4%) of inflationary growth pursuant to section 33676 of the California Health & Safety Code.

(6) North Orange County Community College District receives its share (0.11%) of inflationary growth pursuant to section 33676 of the California Health & Safety Code.

(7) Orange County Department of Education receives its share (1.81%) of inflationary growth pursuant to section 33676 of the California Health & Safety Code.

(8) City of Orange has elected to receives its share (13.6%) of inflationary growth pursuant to section 33676 of the California Health & Safety Code.

(9) Housing Set Aside calculated at 20% of Adjusted Gross Revenues.

(10) Orange County Administration Fee is estimated at 0.928% of Gross Revenue.

(11) Orange County General Fund receives 25% of its share (6.26%) of general levy tax increment.

(12) Orange County Flood Control District receives its share (2.01%) of general levy tax increment.

(13) Anaheim City Elementary School District receives 40% of its share (7.16%) of general levy tax increment less County admin fees or 100% of its inflationary growth, which ever is greater.

(14) Anaheim Union High School District receives 40% of its share (4.57%) of general levy tax increment less County admin fees or 100% of its share of inflationary growth, whichever is greater.

(15) The time limit to incur debt was extended pursuant to SB 211. Statutory pass throughs to agencies that do not have a current tax sharing agreement will begin 2007-2008 at a rate of 20% of incremental growth from base year 2006-2007. An additional pass through will begin in 2017-2018 at 16.8% of incremental growth. These taxing agencies have a combined share of 61.1%.

Table 19
Southwest Project Area Amendment No. 1
Extended Projection of Tax Increment Revenue
(000s Omitted)

	Total Taxable Value	Taxable Value Over Base 260,621	Tax Increment Revenue	33676 Reductions	Gross Revenues	Housing Set-Aside	SB 2557 Charge	Pass-Throughs Agreements	Pledged Revenues
2003-04	538,175	277,554	2,888	(729)	2,158	(432)	(20)	(168)	1,538
2004-05	545,971	285,350	2,966	(780)	2,186	(437)	(20)	(170)	1,558
2005-06	553,922	293,301	3,046	(832)	2,214	(443)	(21)	(173)	1,578
2006-07	562,033	301,412	3,128	(885)	2,243	(449)	(21)	(175)	1,598
2007-08	570,306	309,684	3,211	(939)	2,272	(454)	(21)	(181)	1,616
2008-09	578,744	318,122	3,296	(994)	2,302	(460)	(21)	(187)	1,633
2009-10	587,351	326,729	3,383	(1,050)	2,333	(467)	(22)	(193)	1,651
2010-11	596,130	335,508	3,471	(1,107)	2,364	(473)	(22)	(200)	1,670
2011-12	605,084	344,463	3,561	(1,166)	2,396	(479)	(22)	(206)	1,688
2012-13	614,218	353,597	3,653	(1,225)	2,428	(486)	(23)	(213)	1,707
2013-14	623,534	362,913	3,747	(1,286)	2,461	(492)	(23)	(219)	1,727
2014-15	633,037	372,416	3,843	(1,348)	2,495	(499)	(23)	(226)	1,747
2015-16	642,730	382,108	3,940	(1,411)	2,529	(506)	(23)	(233)	1,767
2016-17	652,616	391,995	4,040	(1,475)	2,564	(513)	(24)	(240)	1,787
2017-18	662,701	402,079	4,141	(1,541)	2,600	(520)	(24)	(251)	1,805
2018-19	672,987	412,365	4,245	(1,608)	2,636	(527)	(24)	(262)	1,822
2019-20	683,479	422,857	4,350	(1,677)	2,674	(535)	(25)	(274)	1,840
2020-21	694,180	433,559	4,458	(1,746)	2,712	(542)	(25)	(285)	1,859
2021-22	705,096	444,474	4,568	(1,818)	2,750	(550)	(26)	(297)	1,878
2022-23	716,230	455,608	4,680	(1,890)	2,790	(558)	(26)	(309)	1,897
2023-24	727,586	466,965	4,794	(1,964)	2,830	(566)	(26)	(322)	1,916
2024-25	739,170	478,549	4,911	(2,040)	2,871	(574)	(27)	(334)	1,936
2025-26	750,985	490,364	5,030	(2,117)	2,913	(583)	(27)	(347)	1,957
2026-27	763,037	502,416	5,151	(2,195)	2,956	(591)	(27)	(360)	1,977
2027-28	775,330	514,709	5,275	(2,276)	3,000	(600)	(28)	(373)	1,998
2028-29	787,869	527,247	5,401	(2,357)	3,044	(609)	(28)	(387)	2,020
2029-30	800,658	540,037	5,530	(2,441)	3,089	(618)	(29)	(401)	2,042
2030-31	813,703	553,082	5,661	(2,526)	3,136	(627)	(29)	(415)	2,064

For notes see Table 18.

Table 20
Southwest Project Area Amendment No. 1
Historical Values [1]

Secured [2]	Base Year 1985-86 [3]	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Land	68,646,616	133,563,764	135,008,379	137,323,756	147,800,484	155,756,514	164,168,537	170,612,272
Impts	161,280,271	346,338,577	345,095,574	379,882,920	392,500,231	406,854,961	417,786,864	444,279,620
Pers Prop	13,731,161	34,412,236	35,781,497	69,240,956	86,921,481	98,868,937	66,012,633	37,750,273
Exemptions	31,188,769	143,611,110	159,931,291	171,036,090	248,246,194	263,370,419	214,629,494	188,481,136
Total Secured	**212,469,279**	**370,703,467**	**355,954,159**	**415,411,542**	**378,976,002**	**398,109,993**	**433,338,540**	**464,161,029**
Unsecured								
Land	217,740	895,333	1,233,944	1,364,245	745,126	958,374	946,982	1,168,359
Impts	25,191,653	12,032,058	13,729,966	69,126,370	14,975,165	20,288,841	24,187,611	30,454,667
Pers Prop	25,051,276	67,521,427	58,654,683	51,570,919	67,197,831	75,885,289	74,166,015	110,648,618
Exemptions	2,308,684	16,983,239	11,665,290	54,119,380	12,404,819	29,108,412	27,348,019	68257271
Total Unsecured	**48,151,985**	**63,465,579**	**61,953,303**	**67,942,154**	**70,513,303**	**68,024,092**	**71,952,589**	**74,014,373**
GRAND TOTAL	**260,621,264**	**434,169,046**	**417,907,462**	**483,353,696**	**449,489,305**	**466,134,085**	**505,291,129**	**538,175,402**
	Annual Change		**-3.75%**	**15.66%**	**-7.01%**	**3.70%**	**8.40%**	**6.51%**
	Incremental Value:	173,547,782	157,286,198	222,732,432	188,868,041	205,512,821	244,669,865	277,554,138

[1] Source: County of Orange Assessed Values Report, Equalized Tax Roll 1997-2003.
[2] Secured values include state assessed non-unitary utility property.
[3] Base year as reported by the County of Orange for 2003-04.

Table 21

Southwest Project Area Amendment No. 1
Analysis of Historical Appeals

	1998-99	1999-00	2000-01	2001-02	2002-03
Appeals Data (1)					
Total appeals filed	14	23	28	8	10
Appeals Resolved to date (2)	11	20	27	5	3
Appeals Resolved With Value Change (3)	5	1	3	0	1
Percent of resolved appeals successful	45.5%	5.0%	11.1%		33.3%
Initial Assessed Value of Successful Appeals	$15,447,943	$195,237	$4,225,127		$443,700
Board Approved Assessed Value	$15,427,330	$170,236	$3,611,695		$382,000
Percent Reduction in Original Value	0.13%	12.81%	14.52%		13.91%
Appeals pending	3	3	1	3	7
Value of Appeals Pending	$1,892,367	$1,842,526	$196,131	$367,604	$10,167,892

(1) Appeals data as provided by County of Orange as of 2/14/03. Analysis restricted to 1998 to 2003.
(2) Resolved appeals include successful, withdrawn, and denied appeals.
(3) Appeals resolved with value change includes only appeals with board approved valuation changes.

Table 22
Southwest Project Area Amendment No. 2
Projection of Tax Increment Revenue
(000's Omitted)

Taxable Values (1)		**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**
Land		86,662	88,395	90,163	91,967	93,806	95,682	97,596	99,548	101,539	103,569	105,641
Improvements		146,058	148,979	151,959	154,998	158,098	161,260	164,485	167,775	171,130	174,553	178,044
Less Exemptions		(732)	(746)	(761)	(777)	(792)	(808)	(824)	(841)	(857)	(874)	(892)
Personal Property (2)		17,783	17,783	17,783	17,783	17,783	17,783	17,783	17,783	17,783	17,783	17,783
Total Projected Taxable Value		249,771	254,411	259,144	263,971	268,895	273,917	279,040	284,265	289,594	295,031	300,575
Taxable Value over Base	**85,757**	**164,015**	**168,654**	**173,387**	**178,214**	**183,138**	**188,160**	**193,283**	**198,508**	**203,838**	**209,274**	**214,819**
Gross Tax Increment Revenue (3)		1,651	1,698	1,745	1,794	1,844	1,894	1,946	1,998	2,052	2,107	2,163
Unitary Tax Revenue		5	5	5	5	5	5	5	5	5	5	5
Adjusted Gross Revenues		**1,656**	**1,703**	**1,750**	**1,799**	**1,848**	**1,899**	**1,951**	**2,003**	**2,057**	**2,112**	**2,167**
<u>LESS:</u>												
Housing Set Aside Requirement (4)		(331)	(341)	(350)	(360)	(370)	(380)	(390)	(401)	(411)	(422)	(433)
SB 2557 Admin. Fee (5)		(15)	(16)	(16)	(17)	(17)	(18)	(18)	(19)	(19)	(20)	(20)
<u>Pass Throughs</u>												
Orange County General Fund (6)		(75)	(77)	(79)	(81)	(84)	(86)	(88)	(91)	(93)	(96)	(98)
Orange County Flood Control (7)		(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)
Orange County Harbors, Beaches & Parks (8)		(19)	(19)	(20)	(20)	(21)	(21)	(22)	(23)	(23)	(24)	(24)
Orange County Water District (9)		(11)	(11)	(11)	(12)	(12)	(12)	(13)	(13)	(13)	(14)	(14)
Metropolitan Water District (10)		(11)	(11)	(12)	(12)	(12)	(13)	(13)	(13)	(14)	(14)	(14)
Orange Unified School District (11)		(309)	(318)	(327)	(336)	(345)	(355)	(364)	(374)	(384)	(395)	(405)
Rancho Santiago College Disctrict (12)		(38)	(39)	(40)	(42)	(43)	(44)	(45)	(46)	(48)	(49)	(50)
Orange County Sanitation District #2 (13)		(17)	(18)	(18)	(19)	(19)	(20)	(20)	(21)	(22)	(22)	(23)
Anaheim City Elementary School District (14)		0	0	0	0	0	(0)	(0)	(0)	(1)	(1)	(1)
Statutory Pass Throughs (15)								(0)	(0)	(0)	(1)	(1)
Total Pass Throughs		(513)	(528)	(542)	(558)	(573)	(589)	(605)	(622)	(639)	(656)	(674)
Pledged Revenues		**796**	**819**	**841**	**865**	**889**	**913**	**937**	**962**	**988**	**1,014**	**1,040**
<u>Subordinate Pass Throughs</u>												
Orange County Department of Education (16)		(7)	(8)	(8)	(8)	(8)	(8)	(9)	(9)	(9)	(9)	(10)
Total Revenues		**789**	**811**	**834**	**857**	**880**	**904**	**929**	**953**	**979**	**1,004**	**1,031**

Footnotes For Table 22

(1) Taxable values as reported by Orange County. Projections inflate Land, Improvements and Exemptions 2% per year.

(2) Personal property is held constant at 2003-04 level.

(3) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed project tax rate and adjusted for indebtedness approved by voters prior to 1988. The assumed future tax rates are held at $1.0067 per $100 of taxable value as published on County Auditor Controller website.

(4) Housing Set Aside calculated at 20% of Adjusted Gross Revenues.

(5) Orange County Administration Fee is estimated at 0.928% of Gross Revenue.

(6) Orange County General Fund receives 73% of its share (6.26%) of general levy tax increment.

(7) Orange County Flood Control District receives its share (2.01%) of general levy tax increment.

(8) Orange County Harbors, Beaches, and Parks receives 73% of its share (1.56%) of general levy tax increment.

(9) Orange County Water District receives the greater of 80% of its share (0.82%) of general levy tax increment less County admin fees or its share of the inflationary growth of base year property value.

(10) The Metropolitan Water District receives 100% of the tax rate overrided approved by voters prior to 1988 less County admin fees.

(11) Orange Unified School District receives 40% of its share (47.1%) of general levy tax increment less County admin Fees.

(12) Rancho Santiago Community College District receives 30% of its share (7.77%) of general levy tax increment less County admin fees.

(13) Orange County Sanitation District #2 receives the greater of one-third of its share (3.17%) of general levy tax increment less County admin fees or its share of inflationary growth.

(14) Anaheim City Elementary School District receives the greater 40% of its share of general levy tax increment less County admin fees or its share of inflationary growth. The District only receives revenues from TRA's 8-188 & 8-190. These TRA's currently have a negative incremental value.

(15) The time limit to incur debt was extended pursuant to SB 211. Statutory pass throughs to agencies that do not have a current tax sharing agreement will begin 2009-2010 at a rate of 20% of incremental growth from base year 2008-2009. An additional pass through will begin in 2019-2020 at 16.8% of incremental growth. These taxing agencies have a combined share of 1.33%.

(16) Orange County Department of Education receives 25% of its share (1.81%) of general levy increment less County admin fees. Payments to the Department are <u>subordinate</u> to debt service.

Table 23
Southwest Project Area Amendment No. 2
Extended Projection of Tax Increment Revenue
(000s Omitted)

	Total Taxable Value	Taxable Value Over Base 85,757	Gross Tax Revenue	SB 2557 Charge	Housing Set-Aside	Pass-Throughs Agreements	Pledged Revenues	Subordinate Pass-Throughs	Total Revenues
2003-04	249,771	164,015	1,656	(15)	(331)	(513)	796	(7)	789
2004-05	254,411	168,654	1,703	(16)	(341)	(528)	819	(8)	811
2005-06	259,144	173,387	1,750	(16)	(350)	(542)	841	(8)	834
2006-07	263,971	178,214	1,799	(17)	(360)	(558)	865	(8)	857
2007-08	268,895	183,138	1,848	(17)	(370)	(573)	889	(8)	880
2008-09	273,917	188,160	1,899	(18)	(380)	(589)	913	(8)	904
2009-10	279,040	193,283	1,951	(18)	(390)	(605)	937	(9)	929
2010-11	284,265	198,508	2,003	(19)	(401)	(622)	962	(9)	953
2011-12	289,594	203,838	2,057	(19)	(411)	(639)	988	(9)	979
2012-13	295,031	209,274	2,112	(20)	(422)	(656)	1,014	(9)	1,004
2013-14	300,575	214,819	2,167	(20)	(433)	(674)	1,040	(10)	1,031
2014-15	306,231	220,475	2,224	(21)	(445)	(692)	1,067	(10)	1,057
2015-16	312,000	226,244	2,282	(21)	(456)	(710)	1,095	(10)	1,085
2016-17	317,885	232,128	2,342	(22)	(468)	(729)	1,123	(10)	1,112
2017-18	323,887	238,130	2,402	(22)	(480)	(748)	1,152	(11)	1,141
2018-19	330,009	244,252	2,464	(23)	(493)	(767)	1,181	(11)	1,170
2019-20	336,253	250,497	2,527	(23)	(505)	(787)	1,210	(11)	1,199
2020-21	342,623	256,866	2,591	(24)	(518)	(808)	1,241	(11)	1,229
2021-22	349,119	263,363	2,656	(25)	(531)	(828)	1,272	(12)	1,260
2022-23	355,746	269,989	2,723	(25)	(545)	(850)	1,303	(12)	1,291
2023-24	362,505	276,749	2,791	(26)	(558)	(871)	1,335	(12)	1,323
2024-25	369,400	283,643	2,860	(27)	(572)	(893)	1,368	(13)	1,355
2025-26	376,432	290,676	2,931	(27)	(586)	(916)	1,402	(13)	1,389
2026-27	383,605	297,849	3,003	(28)	(601)	(939)	1,436	(13)	1,422
2027-28	390,922	305,165	3,077	(29)	(615)	(962)	1,471	(14)	1,457
2028-29	398,384	312,628	3,152	(29)	(630)	(986)	1,506	(14)	1,492
2029-30	405,997	320,240	3,229	(30)	(646)	(1,011)	1,542	(14)	1,528
2030-31	413,761	328,004	3,307	(31)	(661)	(1,036)	1,579	(15)	1,564

For notes see Table 22.

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Table 24
Southwest Project Area Amendment No. 2
Historical Values [1]

Secured [2]	Base Year 1987-88 [3]	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Land	39,775,865	37,903,684	43,507,709	47,805,043	84,021,801	70,097,079	82,431,330	86,662,186
Impts	41,732,307	82,505,695	82,466,501	86,204,029	88,321,580	129,624,280	133,072,715	141,210,776
Pers Prop	123,325	511,912	34,438	18,500	48,191	34,144	19,808	16,217
Exemptions			2,824,380	2,875,323	3,087,114	3,137,095	3,179,356	717,088
Total Secured	**81,631,497**	**120,921,291**	**123,184,268**	**131,152,249**	**169,304,458**	**196,618,408**	**212,344,497**	**227,172,091**
Unsecured								
Land								
Impts	1,754,499	3,147,397	2,682,920	4,251,541	5,075,546	5,117,027	3,249,676	4,847,204
Pers Prop	2,389,862	23,296,559	24,530,372	19,835,035	21,662,549	25,976,015	23,108,877	17,766,630
Exemptions	19,118	248,154	164,135	136,078	187,753	222,120	173,410	14,630
Total Unsecured	**4,125,243**	**26,195,802**	**27,049,157**	**23,950,498**	**26,550,342**	**30,870,922**	**26,185,143**	**22,599,204**
GRAND TOTAL	**85,756,740**	**147,117,093**	**150,233,425**	**155,102,747**	**195,854,800**	**227,489,330**	**238,529,640**	**249,771,295**
	Annual Change		**2.12%**	**3.24%**	**26.27%**	**16.15%**	**4.85%**	**4.71%**
	Incremental Value:	61,360,353	64,476,685	69,346,007	110,098,060	141,732,590	152,772,900	164,014,555

[1] Source: County of Orange Assessed Values Report, Equalized Tax Roll 1997-2003.
[2] Secured values include state assessed non-unitary utility property.
[3] Base year as reported by the County of Orange for 2003-04.

Table 25

Southwest Project Area Amendment No. 2
Analysis of Historical Appeals

	1998-99	1999-00	2000-01	2001-02	2002-03
Appeals Data (1)					
Total appeals filed	2	6	7	7	9
Appeals Resolved to date (2)	2	6	6	7	1
Appeals Resolved With Value Change (3)	0	2	1	1	1
Percent of resolved appeals successful		33.3%	16.7%	14.3%	100.0%
Initial Assessed Value of Successful Appeals		$13,293,401	$10,000,000	$9,282,000	$145,371
Board Approved Assessed Value		$10,145,000	$9,100,000	$7,500,000	$110,000
Percent Reduction in Original Value		23.68%	9.00%	19.20%	24.33%
Appeals pending	0	0	1	0	8
Value of Appeals Pending			$13,545,218		$113,819,206

(1) Appeals data as provided by County of Orange as of 2/14/03. Analysis restricted to 1998 to 2003.
(2) Resolved appeals include successful, withdrawn, and denied appeals.
(3) Appeals resolved with value change includes only appeals with board approved valuation changes.

Table 26
Southwest Project Area Amendment No. 3
Projection of Tax Increment Revenue
(000's Omitted)

Taxable Values (1)		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Land		2,683	2,737	2,791	2,847	2,904	2,962	3,021	3,082	3,143	3,206	3,270
Improvements		2,746	2,801	2,857	2,914	2,972	3,031	3,092	3,154	3,217	3,281	3,347
Less Exemptions		0	0	0	0	0	0	0	0	0	0	0
Personal Property (2)		607	607	607	607	607	607	607	607	607	607	607
Total Projected Taxable Value		6,036	6,144	6,255	6,368	6,483	6,601	6,721	6,843	6,968	7,095	7,225
Taxable Value over Base	**1,278**	**4,758**	**4,867**	**4,977**	**5,090**	**5,206**	**5,323**	**5,443**	**5,565**	**5,690**	**5,817**	**5,947**
Gross Tax Increment Revenue (3)		48	49	50	51	52	54	55	56	57	59	60
Unitary Tax Revenue		0	0	0	0	0	0	0	0	0	0	0
Adjusted Gross Revenues		**48**	**49**	**50**	**51**	**52**	**54**	**55**	**56**	**57**	**59**	**60**
LESS:												
Housing Set Aside Requirement (4)		(10)	(10)	(10)	(10)	(10)	(11)	(11)	(11)	(11)	(12)	(12)
SB 2557 Admin. Fee (5)		(0)	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)
Pass Throughs												
Statutory Pass Throughs (6)		(7)	(7)	(7)	(8)	(8)	(8)	(8)	(9)	(9)	(9)	(10)
Total Pass Throughs		(7)	(7)	(7)	(8)	(8)	(8)	(8)	(9)	(9)	(9)	(10)
Pledged Revenues		**31**	**32**	**32**	**33**	**34**	**34**	**35**	**36**	**36**	**37**	**38**

Footnotes For Table 26

(1) Taxable values as reported by Orange County. Projections inflate Land, Improvements and Exemptions 2% per

(2) Personal property is held constant at 2003-04 level.

(3) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed project tax rate and adjusted for indebtedness approved by voters prior to 1988. The assumed future tax rates are held at $1.0067 per $100 of taxable value as published on County Auditor Controller website.

(4) Housing Set Aside calculated at 20% of Adjusted Gross Revenues.

(5) Orange County Administration Fee is estimated at 0.928% of Gross Revenue.

(6) The Agency pays Statutory pass throughs to all tax receiving entities in accordance with AB1290. Tax receiving entities receive 25% of their share (combined share of 70.9%) of gross tax increment less housing set aside. An additional pass through will begin in 2006-2007 at 21% of incremental growth less set aside.

Table 27

Southwest Project Area Amendment No. 3

Extended Projection of Tax Increment Revenue

(000s Omitted)

	Total Taxable Value	Taxable Value Over Base 1,278	Gross Tax Revenue	SB 2557 Charge	Housing Set-Aside	Pass-Throughs Agreements	Pledged Revenues
2003-04	6,036	4,758	48	(0)	(10)	(7)	31
2004-05	6,144	4,867	49	(0)	(10)	(7)	32
2005-06	6.255	4.977	50	(0)	(10)	(7)	33
2006-07	6,368	5,090	51	(0)	(10)	(7)	33
2007-08	6,483	5,206	52	(0)	(10)	(8)	34
2008-09	6,601	5,323	54	(0)	(11)	(8)	34
2009-10	6,721	5,443	55	(1)	(11)	(8)	35
2010-11	6,843	5,565	56	(1)	(11)	(9)	36
2011-12	6,968	5,690	57	(1)	(11)	(9)	36
2012-13	7,095	5,817	59	(1)	(12)	(9)	37
2013-14	7,225	5,947	60	(1)	(12)	(10)	38
2014-15	7,357	6,079	61	(1)	(12)	(10)	38
2015-16	7,492	6,214	63	(1)	(13)	(10)	39
2016-17	7,630	6,352	64	(1)	(13)	(11)	40
2017-18	7,770	6,492	65	(1)	(13)	(11)	41
2018-19	7,913	6,636	67	(1)	(13)	(11)	41
2019-20	8,060	6,782	68	(1)	(14)	(12)	42
2020-21	8,209	6,931	70	(1)	(14)	(12)	43
2021-22	8,361	7,083	71	(1)	(14)	(13)	44
2022-23	8,516	7,238	73	(1)	(15)	(13)	45
2023-24	8,674	7,396	74	(1)	(15)	(13)	45
2024-25	8,835	7,557	76	(1)	(15)	(14)	46
2025-26	9,000	7,722	78	(1)	(16)	(14)	47
2026-27	9,168	7,890	79	(1)	(16)	(15)	48
2027-28	9,339	8,061	81	(1)	(16)	(15)	49
2028-29	9,513	8,236	83	(1)	(17)	(16)	50
2029-30	9,692	8,414	85	(1)	(17)	(16)	51
2030-31	9,873	8,595	87	(1)	(17)	(17)	52

For notes see Table 26.

Table 28
Southwest Project Area Amendment No. 3
Historical Values [1]

Secured [2]	Base Year 1995-96[3]	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Land	854,477	523,897	534,376	544,278	2,331,720	2,578,762	2,630,336	2,682,943
Impts	525,005	287,178	292,917	298,341	711,528	2,003,467	2,284,914	2,354,211
Pers Prop								
Exemptions	170,000							
Total Secured	**1,209,482**	**811,075**	**827,293**	**842,619**	**3,043,248**	**4,582,229**	**4,915,250**	**5,037,154**
Unsecured								
Land	53,578							
Impts	14,705					182,858	380,662	391,453
Pers Prop						202,748	473,719	607,211
Exemptions								
Total Unsecured	**68,283**	**0**	**0**	**0**	**0**	**385,606**	**854,381**	**998,664**
GRAND TOTAL	**1,277,765**	**811,075**	**827,293**	**842,619**	**3,043,248**	**4,967,835**	**5,769,631**	**6,035,818**
	Annual Change		**2.00%**	**1.85%**	**261.17%**	**63.24%**	**16.14%**	**4.61%**
	Incremental Value:	(466,690)	(450,472)	(435,146)	1,765,483	3,690,070	4,491,866	4,758,053

[1] Source: County of Orange Assessed Values Report, Equalized Tax Roll 1997-2003.
[2] Secured values include state assessed non-unitary utility property.
[3] Base year as reported by the County of Orange for 2003-04.

Table 29

Southwest Project Area Amendment No. 3
Analysis of Historical Appeals

	1998-99	1999-00	2000-01	2001-02	2002-03
Appeals Data (1)					
Total appeals filed	0	0	0	0	0
Appeals Resolved to date (2)					
Appeals Resolved With Value Change (3)					
Percent of resolved appeals successful					
Initial Assessed Value of Successful Appeals					
Board Approved Assessed Value					
Percent Reduction in Original Value					
Appeals pending	0	0	0	0	0
Value of Appeals Pending					

(1) Appeals data as provided by County of Orange as of 2/14/03. Analysis restricted to 1998 to 2003.
(2) Resolved appeals include successful, withdrawn, and denied appeals.
(3) Appeals resolved with value change includes only appeals with board approved valuation changes.

Table 30
Northwest Project Area
Projection of Tax Increment Revenue
(000's Omitted)

Taxable Values (1)		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Land		494,578	504,470	514,559	524,850	535,347	546,054	556,975	568,115	579,477	591,066	602,888
Improvements		677,091	690,633	704,446	718,535	732,905	747,563	762,515	777,765	793,320	809,187	825,371
Less Exemptions		(5,393)	(5,501)	(5,611)	(5,723)	(5,838)	(5,954)	(6,073)	(6,195)	(6,319)	(6,445)	(6,574)
Personal Property (2)		288,708	288,708	288,708	288,708	288,708	288,708	288,708	288,708	288,708	288,708	288,708
Total Projected Taxable Value		1,454,984	1,478,310	1,502,102	1,526,370	1,551,123	1,576,371	1,602,125	1,628,393	1,655,187	1,682,516	1,710,392
Taxable Value over Base	**830,971**	**624,013**	**647,339**	**671,131**	**695,399**	**720,152**	**745,400**	**771,154**	**797,422**	**824,216**	**851,545**	**879,421**
Gross Tax Increment Revenue (3)		6,282	6,517	6,756	7,001	7,250	7,504	7,763	8,028	8,297	8,573	8,853
Unitary Tax Revenue		11	11	11	11	11	11	11	11	11	11	11
Adjusted Gross Revenues		**6,293**	**6,528**	**6,767**	**7,012**	**7,261**	**7,515**	**7,774**	**8,039**	**8,308**	**8,584**	**8,864**
LESS:												
Housing Set Aside Requirement (4)		(1,259)	(1,306)	(1,353)	(1,402)	(1,452)	(1,503)	(1,555)	(1,608)	(1,662)	(1,717)	(1,773)
SB 2557 Admin. Fee (5)		(58)	(61)	(63)	(65)	(67)	(70)	(72)	(75)	(77)	(80)	(82)
Pass Throughs												
Orange County General Fund (6)		(246)	(255)	(264)	(274)	(284)	(294)	(304)	(314)	(325)	(335)	(346)
Orange County Flood Control (7)		(126)	(130)	(135)	(140)	(145)	(150)	(155)	(161)	(166)	(171)	(177)
Orange County Harbors, Beaches & Parks (8)		(44)	(45)	(47)	(49)	(50)	(52)	(54)	(56)	(58)	(60)	(62)
Orange Unified School District (9)		(972)	(1,008)	(1,045)	(1,083)	(1,121)	(1,161)	(1,201)	(1,242)	(1,283)	(1,326)	(1,369)
Rancho Santiago College District (10)		(160)	(166)	(172)	(179)	(185)	(191)	(198)	(205)	(212)	(219)	(226)
Orange County Water District (11)		(41)	(42)	(44)	(45)	(47)	(48)	(50)	(52)	(54)	(55)	(57)
Orange County Sanitation District #2 (12)		(91)	(98)	(105)	(112)	(120)	(127)	(135)	(143)	(151)	(159)	(168)
Statutory Pass Throughs (13)							(0)	(0)	(1)	(1)	(1)	(1)
Total Pass Throughs		(1,678)	(1,744)	(1,812)	(1,881)	(1,952)	(2,024)	(2,097)	(2,172)	(2,249)	(2,327)	(2,406)
OPA/DDA Agreements												
Home Depot (14)		(99)	(99)	(99)								
Pledged Revenues	**3,205**	**3,199**	**3,318**	**3,440**	**3,663**	**3,790**	**3,919**	**4,050**	**4,184**	**4,321**	**4,461**	**4,603**
Subordinate Pass Throughs												
Orange County Department of Education (5)		(28)	(29)	(30)	(31)	(32)	(34)	(35)	(36)	(37)	(38)	(40)
Total Revenues		**3,170**	**3,289**	**3,409**	**3,632**	**3,757**	**3,885**	**4,015**	**4,148**	**4,284**	**4,422**	**4,563**

Footnotes For Table 30

(1) Taxable values as reported by Orange County. Projections inflate Land, Improvements and Exemptions 2% per year.

(2) Personal property is held constant at 2003-04 level.

(3) Projected Gross Tax increment is based upon incremental taxable values factored against an assumed project tax rate and adjusted for indebtedness approved by voters prior to 1988. The assumed future tax rates are held at $1.0067 per $100 of taxable value as published on County Auditor Controller website.

(4) Housing Set Aside calculated at 20% of Adjusted Gross Revenues.

(5) Orange County Administration Fee is estimated at 0.928% of Gross Revenue.

(6) Orange County General Fund receives 63% of its share (6.25%) of general levy tax increment.

(7) Orange County Flood Control District receives its share (2.01%) of general levy tax increment.

(8) Orange County Harbors, Beaches, and Parks receives 45% of its share (1.56%) of general levy tax increment.

(9) Orange Unified School District receives one-third of its share (47.2%) of general levy tax increment less County admin fees.

(10) Rancho Santiago Community College District receives one-third of its share (7.77%) of general levy tax increment less County admin fees.

(11) Orange County Water District receives the greater of its share (0.82%) of inflationary growth or 80% of its share of general levy tax increment less County admin fees.

(12) Orange County Sanitation District receives the greater of its share (3.14%) of inflationary growth or one-third of general levy tax increment less County admin fees.

(13) The time limit to incur debt was extended pursuant to SB 211. Statutory pass throughs to agencies that do not have a current tax sharing agreement will begin 2008-2009 at a rate of 20% of incremental growth from base year 2007-2008. An additional pass through will begin in 2018-2019 at 16.8% of incremental growth. These taxing agencies have a combined share of 0.45%.

(14) Home Depot U.S.A. Inc. receives 100% of the tax increment from its property until 2005-2006 or until a maximum assistance cap of $1.495 million 1993-94 NPV has been paid.

(15) Orange County Department of Education receives 25% of its share (1.82%) of general levy tax increment less County admin fees.

City of Orange Redevelopment Agency
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Table 31
Northwest Project Area
Extended Projection of Tax Increment Revenue
(000s Omitted)

	Total Taxable Value	Taxable Value Over Base 830,971	Gross Tax Revenue	SB 2557 Charge	Housing Set-Aside	Pass-Throughs Agreements	OPA's	Pledged Revenues	Subordinate Pass-Throughs	Total Revenues
2003-04	1,454,984	624,013	6,293	(58)	(1,259)	(1,678)	(99)	3,199	(28)	3,170
2004-05	1,478,310	647,339	6,528	(61)	(1,306)	(1,744)	(99)	3,318	(29)	3,289
2005-06	1,502,102	671,131	6,767	(63)	(1,353)	(1,812)	(99)	3,440	(30)	3,409
2006-07	1,526,370	695,399	7,012	(65)	(1,402)	(1,881)		3,663	(31)	3,632
2007-08	1,551,123	720,152	7,261	(67)	(1,452)	(1,952)		3,790	(32)	3,757
2008-09	1,576,371	745,400	7,515	(70)	(1,503)	(2,024)		3,919	(34)	3,885
2009-10	1,602,125	771,154	7,774	(72)	(1,555)	(2,097)		4,050	(35)	4,015
2010-11	1,628,393	797,422	8,039	(75)	(1,608)	(2,172)		4,184	(36)	4,148
2011-12	1,655,187	824,216	8,308	(77)	(1,662)	(2,249)		4,321	(37)	4,284
2012-13	1,682,516	851,545	8,584	(80)	(1,717)	(2,327)		4,461	(38)	4,422
2013-14	1,710,392	879,421	8,864	(82)	(1,773)	(2,406)		4,603	(40)	4,563
2014-15	1,738,826	907,855	9,150	(85)	(1,830)	(2,487)		4,748	(41)	4,707
2015-16	1,767,828	936,857	9,442	(88)	(1,888)	(2,570)		4,896	(42)	4,854
2016-17	1,797,411	966,440	9,740	(90)	(1,948)	(2,655)		5,047	(44)	5,004
2017-18	1,827,585	996,614	10,044	(93)	(2,009)	(2,741)		5,201	(45)	5,156
2018-19	1,858,362	1,027,391	10,354	(96)	(2,071)	(2,829)		5,358	(46)	5,312
2019-20	1,889,755	1,058,784	10,670	(99)	(2,134)	(2,919)		5,518	(48)	5,471
2020-21	1,921,776	1,090,805	10,992	(102)	(2,198)	(3,010)		5,681	(49)	5,632
2021-22	1,954,438	1,123,467	11,321	(105)	(2,264)	(3,104)		5,848	(51)	5,797
2022-23	1,987,752	1,156,781	11,656	(108)	(2,331)	(3,199)		6,018	(52)	5,966
2023-24	2,021,733	1,190,762	11,998	(111)	(2,400)	(3,296)		6,191	(54)	6,137
2024-25	2,056,394	1,225,423	12,347	(115)	(2,469)	(3,395)		6,368	(55)	6,313
2025-26	2,091,747	1,260,776	12,703	(118)	(2,541)	(3,497)		6,548	(57)	6,491
2026-27	2,127,808	1,296,837	13,066	(121)	(2,613)	(3,600)		6,732	(58)	6,673
2027-28	2,164,590	1,333,619	13,437	(125)	(2,687)	(3,705)		6,919	(60)	6,859
2028-29	2,202,108	1,371,137	13,814	(128)	(2,763)	(3,812)		7,111	(62)	7,049
2029-30	2,240,376	1,409,405	14,200	(132)	(2,840)	(3,922)		7,306	(64)	7,242
2030-31	2,279,409	1,448,438	14,592	(135)	(2,918)	(4,034)		7,505	(65)	7,440

For notes see Table 30.

Table 32
Northwest Project Area
Historical Values (1)

Secured (2)	Base Year 1987-88 (3)	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Land	249,399,071	339,069,940	356,337,850	384,269,827	404,389,482	426,755,579	446,976,481	494,327,151
Impts	371,832,438	450,236,581	476,173,718	500,928,278	536,368,173	556,328,345	583,115,012	596,551,356
Pers Prop	15,658,960	26,286,812	24,196,106	24,655,595	22,097,154	18,981,620	20,014,823	21,802,927
Exemptions	4,375,023	1,840,528	1,393,896	1,765,642	2,067,603	2,630,501	3,040,815	5,138,944
Total Secured	**632,515,446**	**813,752,805**	**855,313,778**	**908,088,058**	**960,787,206**	**999,435,043**	**1,047,065,501**	**1,107,542,490**
Unsecured								
Land	11,772	1,982,563	2,320	472,972	729,239	1,033,684	659,344	250,832
Impts	67,335,496	113,608,453	83,665,744	87,346,078	100,952,688	80,570,775	94,905,511	80,539,934
Pers Prop	131,366,731	212,958,052	240,489,599	264,525,830	269,651,143	235,070,713	268,772,967	266,905,068
Exemptions	258,438	969,967	569,515	501,311	281,782	257,779	186,713	254029
Total Unsecured	**198,455,561**	**327,579,101**	**323,588,148**	**351,843,569**	**371,051,288**	**316,417,393**	**364,151,109**	**347,441,805**
GRAND TOTAL	**830,971,007**	**1,141,331,906**	**1,178,901,926**	**1,259,931,627**	**1,331,838,494**	**1,315,852,436**	**1,411,216,610**	**1,454,984,295**
	Annual Change		**3.29%**	**6.87%**	**5.71%**	**-1.20%**	**7.25%**	**3.10%**
	Incremental Value:	310,360,899	347,930,919	428,960,620	500,867,487	484,881,429	580,245,603	624,013,288

(1) Source: County of Orange Assessed Values Report, Equalized Tax Roll 1997-2003.
(2) Secured values include state assessed non-unitary utility property.
(3) Base year as reported by the County of Orange for 2003-04.

Table 33

Northwest Project Area
Analysis of Historical Appeals

	1998-99	1999-00	2000-01	2001-02	2002-03
Appeals Data (1)					
Total appeals filed	22	31	83	37	40
Appeals Resolved to date (2)	21	30	83	35	4
Appeals Resolved With Value Change (3)	4	7	16	5	0
Percent of resolved appeals successful	19.0%	23.3%	19.3%	14.3%	0.0%
Initial Assessed Value of Successful Appeals	$1,349,006	$30,327,131	$6,384,034	$7,368,126	
Board Approved Assessed Value	$1,001,382	$25,615,000	$5,141,052	$7,146,433	
Percent Reduction in Original Value	25.77%	15.54%	19.47%	3.01%	
Appeals pending	1	1	0	2	36
Value of Appeals Pending	$529,944	$514,687		$12,348,229	$111,212,421

(1) Appeals data as provided by County of Orange as of 2/14/03. Analysis restricted to 1998 to 2003.
(2) Resolved appeals include successful, withdrawn, and denied appeals.
(3) Appeals resolved with value change includes only appeals with board approved valuation changes.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR FISCAL YEAR ENDED JUNE 30, 2002

The *City of Orange,* California

Redevelopment Agency

Comprehensive Annual Financial Report

Year ended June 30, 2002
(With Independent Auditors' Report Thereon)

Submitted by:
David L. Rudat, Executive Director
Linda Boone, Economic Development Director

Prepared by:
City of Orange Finance Department
Helen Bell, Director of Finance

CITY OF ORANGE REDEVELOPMENT AGENCY

(A Component Unit of the City of Orange)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2002

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CITY OF ORANGE

ECONOMIC DEVELOPMENT DEPARTMENT (714) 288-2580 / FAX (714) 288-2598

November 1, 2002

To the Honorable Chairman and Board Members of the City of Orange Redevelopment Agency (Agency):

Presented for your information is the Agency's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ending June 30, 2002. This is a significant change from the prior year's format. Last year the Agency presented Financial Statements and Supplemental Data in GASB 34 format. This year we have added a Statistical Section, tables and other data required for CAFR presentation.

The CAFR includes all funds of the Agency, which is a component unit of the City of Orange (City). Component units are legally separate entities for which the primary government is financially accountable. The City Council members, in separate session, serve as the governing board of the Agency. The operating funds of the Agency are shown as a special revenue fund, capital project fund, and a debt service fund within the City's financial statements.

The CAFR is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement number 34. This is the second year that the City and Agency implemented the requirements of GASB 34. The Agency CAFR is being submitted for the first time this year necessitating the addition of a statistical section. The inclusion of this additional statistical section provides trend data and non-financial data for the last ten years that may be useful in interpreting the Basic Financial Statements. The Orange Redevelopment Agency is one of only a few redevelopment agencies in the state that have completed a CAFR.

The significant differences of these two changes (GASB 34 format and CAFR presentation) are:

- The replacement of the "General Purpose Financial Statements" with the "Government-wide Financial Statements" and the "Fund Statements".
- A new overview analysis called "Management's Discussion and Analysis".
- The recording of all assets and liabilities on the Government-wide Financial Statements.
- The recording of Capital Assets and corresponding depreciation expenses on the Government-wide Financial Statements.
- The inclusion of a Statistical Section .

These changes now provide reporting that is comparable to private sector companies by showing Government-wide Financial Statements similar to the one page company-wide "Balance Sheet" that private-sector companies prepare. Like the private sector, we are showing a "Net Assets" bottom line approach instead of "Fund Balance". However, since government agencies are not completely similar to private companies, the Agency is mandated by State and Federal laws

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to account for certain resources and activities separately, thereby necessitating a fund-by-fund format, as shown in the Fund Financial Statements.

The presentation of the Government wide Financial Statements and the Fund Financial Statements, together in one report (CAFR), may be confusing to many readers because the Government-wide Financial Statements are required to be prepared on a full accrual accounting basis, while the Fund Statements are prepared on a modified accrual basis. Therefore, in accordance with GASB 34, we have included additional narratives in the Management's Discussion and Analysis (see Footnotes 2 and 14), which include two reconciliations to assist the reader.

The goals for the new financial reporting format are to show a snapshot of the Agency as a whole at one point in time, increase awareness of the Agency's financial position, and recognize the importance of purchasing and maintaining Capital Assets.

Why does the Agency have approximately $34.2 million dollars negative balance on the Statement of Net Assets found on Page 9? The Statement of Net Assets, according to new rules, reflects the total debt outstanding for the Agency but does not reflect the assets that have been purchased or constructed with these dollars, nor does it reflect the future property tax revenues that will be used to payoff this debt. Here is the explanation: The purpose of a redevelopment agency is to eliminate blight by providing low income housing opportunities, economic development projects that generate more jobs, and infrastructure improvements citywide. One legal requirement of all redevelopment agencies is to issue debt to provide funding to achieve its purpose. All agencies are required to have outstanding debt in order to be entitled to receive tax increment revenues.

Additionally capital assets purchased, rehabilitated or constructed are generally not owned by the Agency. The City generally owns all infrastructure assets, and developers and private businesses own the assets generated from economic development projects. Therefore, these assets are not reflected on the Agency's Statement of Net Assets because they are not owned by the Agency.

The Statement of Activities, found on Page 11, cannot be solely relied upon to make financial decisions. This statement represents the Agency's total expenses and revenues consolidated from all of the Agency's funds and project areas. The revenues generated by the Agency are restricted by fund type and are specifically restricted for Low and Moderate Housing, Debt Service repayments, and Capital Projects.

ABOUT THE CITY OF ORANGE

The City of Orange, with a population estimated at 132,947, is situated in Central Orange County, approximately 32 miles southeast of Los Angeles. The City's land area is 24 square miles. Its planning area or "sphere of influence" is 55 square miles. Included in the City's sphere of influence are 18,500 acres of undeveloped land owned by The Irvine Company.

Orange was incorporated in 1888 under the general laws of the State of California. Under a council-manager form of government, a mayor is elected every two years and four council members are elected to four-year terms alternating on a two-year basis. The City Council is the Redevelopment Agency Board and the City Manager is the Agency's Executive Director.

ABOUT THE ORANGE REDEVELOPMENT AGENCY

The Orange Redevelopment Agency was activated on July 26, 1983 for the purpose of alleviating blight conditions by encouraging residential and commercial economic development. By 1988, the Agency had adopted three project areas: Tustin Street, Southwest and Northwest. During Fiscal Year 2001-02 these project areas were merged into the Orange Merged and Amended Redevelopment Project Area. Because this merger was finalized mid-year, the Fund Financials still reflect a three (3)-project area presentation. Next year these project areas will be combined for financial statement presentation purposes.

The Tustin Street Project Area is comprised of approximately 653 acres of commercially zoned property primarily along the east and west sides of Tustin Street. The northern boundary is Bixby Avenue, north of Lincoln Avenue, to Fairhaven Avenue on the south. Also included are commercial areas east of the Newport (SR55) Freeway on Santa Ana Canyon and Santiago Roads and on Chapman Avenue just east of Santiago Creek.

The Southwest Project Area comprises approximately 864 acres of commercially zoned property along Chapman Avenue from Lewis Street on the west to Shaffer Street on the east. West of the Santa Ana River the northern boundary is Orangewood Avenue and the southern boundary is Garden Grove Boulevard. The central area of the project includes Main Street from Palm Drive on the north to Lawson Way, south of the Garden Grove (SR22) Freeway on the south. The eastern area includes the downtown historic Old Towne area surrounding the Plaza and extends along Glassell Street from Rose Avenue on the north to La Veta Avenue on the south.

The Northwest Project Area comprises approximately 1,564 acres of industrial and commercially zoned property east of the Santa Ana River from Fletcher Avenue on the north to Orangewood and Walnut on the south. The eastern boundary is generally Orange-Olive Road north of Taft Avenue, Glassell Street from Taft Avenue to Hoover Avenue and Lemon Street from Hoover Avenue to Walnut Avenue. The project area also includes the industrial area north of the historic train depot between Maple and Walnut Avenues.

The main source of revenue for the Agency is property tax known as tax increment. Property taxes based on assessed values of properties within a project area continue to be distributed to other taxing entities at the same level as existed at the point in time that the project area was adopted. With the exception of pass through payments to other taxing agencies agreed to at the time of project area adoption, increases in property tax revenues resulting from increases in assessed values of parcels located within a project area are distributed to the Agency. This revenue is known as tax increment.

GOALS AND ACCOMPLISHMENTS

During the Fiscal Year 2001-02, the Agency continued to work with current business owners in the City of Orange to enhance the relationship between the business community and the City. Agency staff also worked with developers, consultants and business owners to market the City of Orange as a site for new businesses to locate.

In November of 2001 the Agency completed the merger of the three existing redevelopment project areas into one project area, the Orange Merged and Amended Redevelopment Project Area. Merger of the three project areas results in more effective and efficient fiscal control and administration of the Agency's finances. California Community Redevelopment Law requires that redevelopment funds be expended only in the areas from which the funds are derived (e.g. funds from the existing Northwest or Southwest Project Areas cannot be utilized to fund projects in the Tustin Street Project Area). By merging the three project areas, as allowed by redevelopment law, the Agency will be able to fund projects regardless of where in the project area the funds were derived. The Agency also extended the time limit to incur debt an additional 10 years, from 20 years to 30 years from the original adoption date of the project/amendment area, and re-established its eminent domain authority on non-residential properties located within the project area. The merger and amendments extend the Agency's continuing efforts to increase, improve, and preserve the supply of affordable housing units throughout the City for students, senior citizens, and young families with children.

The Uptown Orange project focused on the rehabilitation and development of an area of approximately 70 acres northeast from the corner of State College Boulevard and Chapman Avenue, west of the Santa Ana River. This area includes the former Orange Drive-in and Cinedome Theater complexes. Many businesses were impacted by the widening of the Santa Ana Freeway and the realignment of State College Boulevard and Chapman Avenue. The Agency is currently meeting with property owners, developers and consultants to formulate a conceptual land use plan for the area that could include a mixture of high-end luxury apartments and supporting retail uses. A final specific plan is projected to be completed by the end of Fiscal Year 2002-03.

In conjunction with the planned widening of Chapman Avenue, the Agency established the West Chapman Avenue Reinvestment Strategy to assist commercial property owners/tenants along this major transportation corridor with landscape improvements, building facade improvements, and upgrading of signage. The rehabilitation and enhancement of this area has been a long-term goal of the Agency. The program will consist of a combination of loans and grants to individual participants.

Construction began on development of an 80,000 square foot, state-of-the-art medical office complex on a site formerly occupied by Ford of Orange. In conjunction with the development of the site, the Agency sold an adjacent parcel of land to the developer for construction of a parking structure for the facility. The project will be completed in early Fiscal Year 2002-03 and will be occupied by an outpatient surgical center, centers for breast care, orthopedics, physical therapy, and oncology.

In Fiscal Year 2001-02 the Agency adopted a Minor Restaurant Rehabilitation Program. Under the program, restaurant owners and operators may apply for loans to help cover the costs of constructing and installing various improvements typical of those needed in older, historically significant buildings. Such improvements may include correcting structural deficiencies and updating utility and fire safety systems.

Four housing projects were completed in Fiscal Year 2001-02, resulting in the rehabilitation of 43 multi-family housing units and the construction of five new multifamily units. All of these units are restricted for low and moderate-income households. An additional 20-unit senior housing project, which was approved by the Agency in Fiscal Year 2001-02, began construction in Fiscal Year 2001-02, with an expected completion date of Spring 2003. Approved for funding in Fiscal Year 2001-02 was a six-unit senior housing project to be located on surplus Agency property on West La Veta Avenue. This project is currently under development and is projected for completion in Fiscal Year 2002-03. Continuing appropriations totaling $1.40 million for these projects and $1.23 million for the First-Time Home-Buyer program have been carried forward to Fiscal Year 2002-03.

The Agency also funded various City infrastructure projects such as: rehabilitation of roadways, construction of municipal parking lot improvements on the former Bank of America site, located across from City Hall, and renovation of the historic downtown plaza area in Old Towne. As mentioned previously, these assets are not shown in the Agency's statements.

OTHER INFORMATION

The accounting firm of Conrad and Associates, L.L.P. was selected to perform the annual independent audit. The annual audit is designed to meet the requirements of Government Auditing Standards. The independent auditors' report on the CAFR is included in this document.

The CAFR of the City of Orange Redevelopment Agency was prepared by the City's Finance Department. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Agency. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in compliance with GASB 34 and in a manner designed to present fairly the financial position and results of operations of the Agency. A high priority has been placed on preparing complete disclosures that enable the reader to gain an understanding of the Agency's financial activities.

Without the leadership and support of the Agency's Board of Directors, the preparation of this report would not have been possible. Appreciation is also extended to the Finance Department staff for their professionalism and diligence in the completion of this report.

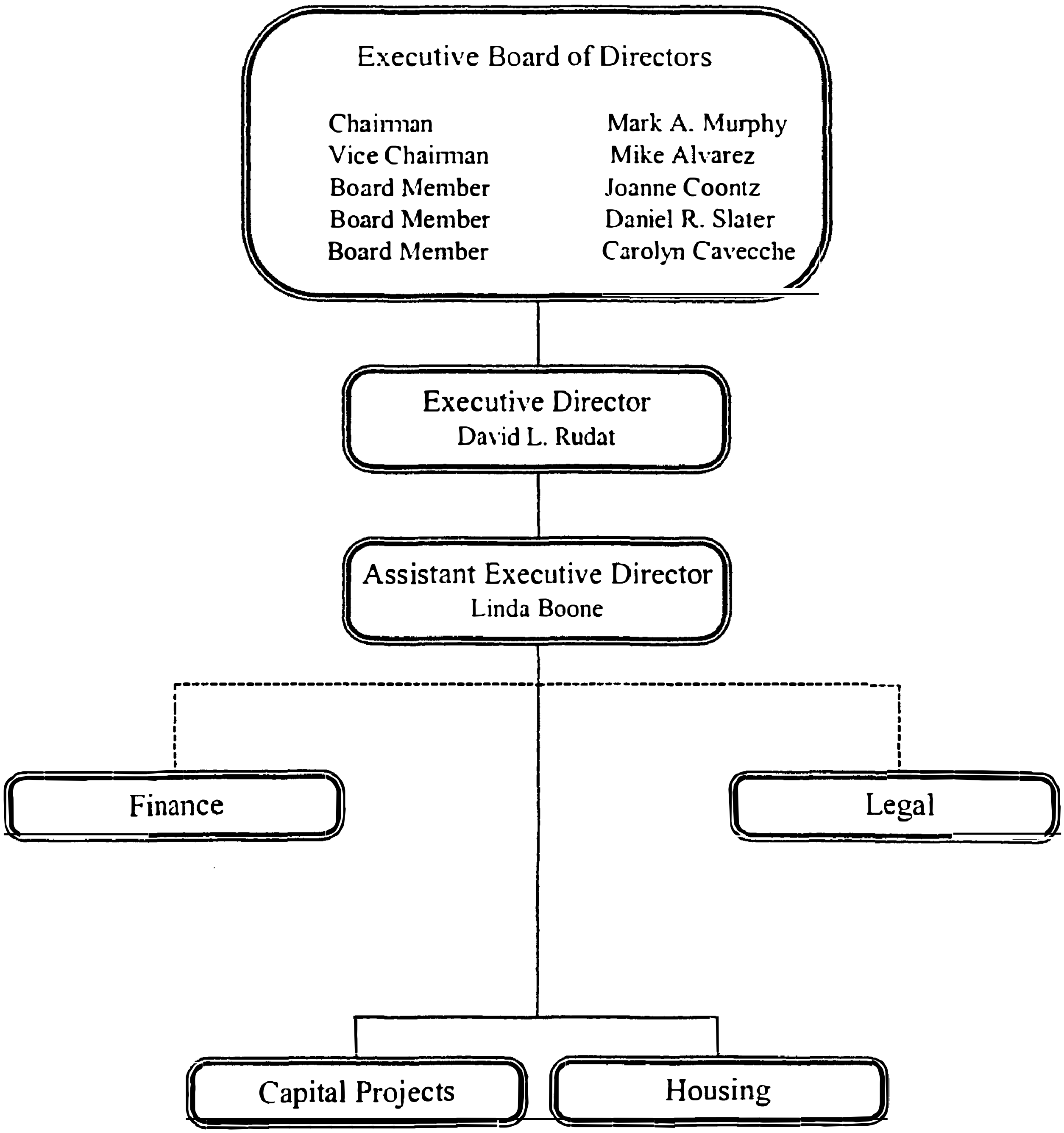
Respectfully submitted,

David L. Rudat
Executive Director

Helen Bell
Finance Director

CITY OF ORANGE REDEVELOPMENT AGENCY

Organizational Chart



CITY OF ORANGE REDEVELOPMENT AGENCY

ELECTED POSITIONS

Mark A. Murphy	Chairman/Mayor
Mike Alvarez	Vice Chairman/Mayor Pro Tem
Joanne Coontz	Board Member/Councilmember
Daniel R. Slater	Board Member/Councilmember
Carolyn Cavecche	Board Member/Councilmember

ADMINISTRATIVE PERSONNEL

David L. Rudat	Executive Director/City Manager
Linda Boone	Assistant Executive Director/ Economic Development Director
Cassandra Cathcart	Agency Clerk /City Clerk
Helen Bell	Finance Director
Helen Walker	City Treasurer
David De Berry	General Counsel/CityAttorney

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CONRAD AND ASSOCIATES, L.L.P.
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IRVINE, CALIFORNIA 92614
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Fax (949) 263-5520

Board of Directors
City of Orange Redevelopment Agency
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the component unit financial statements of the Orange Redevelopment Agency (the "Agency"), a component unit of the City of Orange, California, as of and for the year ended June 30, 2002, as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the Orange Redevelopment Agency. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Orange Redevelopment Agency at June 30, 2002, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund financial statements and supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Orange Redevelopment Agency. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole. The scope of our audit did not include the supplemental statistical schedules listed in the table of contents and we do not express an opinion on them.

Board of Directors
City of Orange Redevelopment Agency
Orange, California
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated October 1, 2002 on our consideration of the Orange Redevelopment Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Conrad and Associates, L.L.P.

October 1, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

The information presented in the "Management's Discussion and Analysis" is intended to be a narrative overview of the City of Orange Redevelopment Agency's (Agency) financial activities for the fiscal year ended June 30, 2002. We encourage readers to consider this information in conjunction with the accompanying financial statements, notes, supplementary and statistical information located herein.

This report is divided into nine (9) sections: the Introductory Section, Financial Section, Management's Discussion and Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to Financial Statements, Required Supplementary Information, Supplementary Schedules, and Statistical Section.

In June 1999, the Governmental Accounting Standards Board (GASB), which sets the financial reporting rules, "Generally Accepted Accounting Principles" (GAAP) for all State and Local Governments, established a new framework for financial reports. This new framework represents the biggest single change in the history of governmental accounting. These changes, which are collectively known as *GASB Statement #34: Basic Financial Statement – and Management's Discussion and Analysis - for State and Local Governments,* are required to be implemented by June 30, 2002. The Agency elected to implement these requirements one year early in the fiscal year ended June 30, 2001.

The changes to the financial statements in the Government-wide section now provide reporting that is similar to private sector companies by showing financial statements with a "Net Assets" bottom line approach. However, government agencies are mandated to account for certain resources and activities separately, thereby necessitating a fund by fund financial format as shown in the Fund Financial Statements section. The presentation of these two different types of statements together in one report requires the inclusion of two very sophisticated reconciliations found in Notes 2 (a) and (b) to better assist the reader.

FINANCIAL HIGHLIGHTS

- During the fiscal year, the Agency's taxes and other governmental revenues exceeded expenses (change in net assets) by $561,366. This is a decrease of approximately $2.43 million in the change in net assets from the prior fiscal year. Total revenues from all sources decreased $373,038 from the prior fiscal year, because of a reduction in investment earnings partially offset by an increase in property tax revenues. The total expenses for the fiscal year exceeded the prior year expenses by $2.05 million, primarily as a result of increased expenditures for economic development projects including street reconstruction and preservation of the downtown historical plaza area.

- Total assets decreased $2.66 million primarily due to the repayment of a loan to the City in the amount of $1.53 million and the sale of Agency owned land originally purchased for the fair market value of $1.07 million and sold for the current re-use value of $326,500 in order to facilitate redevelopment of a blighted portion of Main Street.

- Total liabilities decreased $3.22 million primarily due to the above repayment of debt to the City, and the repayment of other long-term Agency bonds (See Table 6).

- The Agency's Low and Moderate Housing Fund approved $2.89 million in new housing construction and rehabilitation loans during the fiscal year, which was an increase of $1.43 million over the prior year, for the purpose of creating and retaining quality affordable housing in the City. This has been achieved through new housing projects, rehabilitation of existing multi-family housing, and assistance to first-time homebuyers. The Agency also utilizes Federal and State grants to further enhance its efforts to provide affordable housing throughout the City.

FINANCIAL STATEMENT OVERVIEW

This discussion and analysis is intended to serve as an introduction to the Agency's Comprehensive Annual Financial Report (CAFR). The Agency's basic financial statements are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. In addition to the basic financial statements, this report contains Required Supplementary Information, additional Supplementary Schedules, and Statistical information.

Government-wide Financial Statements: The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Agency's finances. These statements include *all* assets and liabilities, using the full *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All revenues and expenses related to the current fiscal year are included regardless of when the funds are received or paid.

- The *Statement of Net Assets* presents all of the Agency's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator to determine whether the financial position of the Agency is improving or deteriorating.

- The *Statement of Activities* presents information showing how the Agency's net assets changed during the fiscal year. All changes in net assets (revenues and expenses) are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods (e.g., uncollected tax revenues, and accrued but unpaid interest expenses).

The basic services of the Agency are considered to be governmental activities including General Government, Low and Moderate Housing, Economic Development and Interest Expense. All Agency activities are financed with investment income and incremental property tax revenue. The Government-wide Financial Statements can be found on pages 9-11 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the Agency are G*overnmental* fund types.

Governmental Funds—All of the Agency's activities are reported in governmental funds. These funds are reported using *modified accrual* accounting, which measures cash, and all other *financial* assets that can readily be converted to cash. The governmental Fund Financial Statements provide a detailed view of the Agency's operations. Governmental fund information helps to determine the amount of financial resources used to finance the Agency's programs.

We describe the differences between government-wide *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* (segregated by major fund) in a reconciliation shown on the page following each of the Fund Financial Statements (see pages 17 and 21). This reconciliation identifies the differences between the modified accrual accounting and the "full" accrual accounting. The major differences include recognition of accrued expenses, capital assets, and long-term debt liabilities shown in the Statement of Net Assets and Statement of Activities, which are not shown in the Fund Financial Statements.

Notes to the Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our government-wide analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) for the Agency's governmental activities. Comparative data is shown for the prior fiscal year.

Table 1
Net Assets
(in Millions)

	Governmental Activities	
	2002	2001
Current and other assets	$49.00	51.59
Capital assets	3.00	3.07
Total assets	52.00	54.66
Long-term debt outstanding	82.70	86.11
Other liabilities	3.54	3.35
Total liabilities	86.24	89.46
Net assets:		
Invested in capital assets, net of debt	2.52	2.67
Restricted	42.98	44.08
Unrestricted	(79.74)	(81.55)
Total net assets	$(34.24)	(34.80)

The Agency's net assets from governmental activities increased 1.6% from ($34.80) million to ($34.24) million. The following explains the changes between fiscal years as shown in Table 1:

- Current and other assets decreased $2.59 million from the prior year due to increased funding of projects primarily in the Northwest and Southwest Project areas of $2.01 million, as referenced in Table 4, development participation agreements, and reduced revenues. Lower interest earnings of $871,747 were partially offset by increased property tax increment revenue of $512,216.

- Long-term debt decreased $3.41 million due to principal payments on bonded debt of $1.30 million, repayments of the City of Orange Police Facility Lease of $570,000, and repayment of the City of Orange Loan of $1.53 million.

- Total net assets minimally increased by $705,391 as a result of the above.

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities (Summary of Statement of Activities) 2002	2001
Revenues		
General revenues		
Taxes	$13.64	12.90
Less pass-through payments	(2.76)	(2.53)
Investment income	1.73	2.60
Other	.01	.03
Total revenues	12.62	13.00
Expenses		
General government	.28	.23
Low and moderate housing	.49	.41
Economic development	6.51	4.35
Interest expense	4.78	5.02
Total expenses	12.06	10.01
Increase (decrease) in net assets	$ .56	2.99

The Agency's total revenues decreased by $373,038 (2.87%), while the total costs of all programs and services increased by $2.05 million (20.5%). The decrease in revenue resulted from lower investment earnings of $871,747 due to substantially lower market rates and a net increase of tax revenues of $512,216 due to incremental increases in assessed property valuations and corresponding increases in pass-through payments to other local taxing entities. An explanation of the expense for Economic Development increases are provided in Table 3 below.

Economic Development Activities

Table 3 presents the "Total cost of services" for the Agency's largest program, Economic Development. The increase of $2.16 million Economic Development expenses was primarily for public improvements (see Table 4), and an increase in Developer Agreements costs for projects.

Table 3
Governmental Activities
(in Millions)

	Economic Development 2002	2001
Administration	$ 1.65	1.50
Public Works Projects	1.70	1.47
Economic Development Agreements	2.42	1.38
Sale of Property below Book Value	.74	-
Totals	$6.51	4.35

FUND FINANCIAL ANALYSIS

The Agency's governmental funds reported combined fund balances of $46.82 million at year-end.

- The combined Agency fund balances decreased by $2.81 million. The decrease in fund balances is primarily due to increased expenditures for public improvements of $1.70 million in the Capital Projects funds including those identified in Table 4 below:

Table 4
Public Improvement Projects Funded
FY 2001 - 02

Street reconstruction projects	$ 1,075,807
Municipal parking lot improvements	197,535
Plaza preservation project	405,684
SR55 Freeway Landscaping	10,000
Trash Enclosure Upgrade	13,860
	$1,702,886

Low and Moderate Housing Fund Highlights

- The Low and Moderate Housing Fund increased fund balance by $1.32 million to $14.05 million primarily due to set-aside revenues exceeding the actual expenditures for housing projects. Most housing projects are a joint effort between the Agency and private development. Generally these Development Agreements result in loans for the construction or rehabilitation of additional low and moderate income housing units. Of the $14.05 million fund balance, $8.10 million is reserved for the future repayment of previously issued housing loans. The Agency has $1.40 million in continuing appropriations for these projects, and $1.23 million for the First-Time Home Buyer program.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2002, the Agency had $3.0 million invested in capital assets (net of accumulated depreciation) including land, buildings, and equipment (See Table 5 below). This amount represents a minor decrease from the prior fiscal year.

Table 5
Capital Assets at Year-end
(in Millions)

	Governmental Activities	
	2002	2001
Land	$1.51	$1.51
Buildings and improvements	1.49	1.53
Construction in progress	-	.03
Totals	$3.00	$3.07

In total, capital assets decreased $74,238. Additional information on the Agency's capital assets can be found in note 6 on page 41 of this report.

Long-Term Debt

At June 30, 2002, the Agency had $82.70 million in tax allocation bonds, installment notes, and capital leases outstanding, compared with $86.11 million from the prior fiscal year (a decrease of 3.9 percent). This $3.41 million decrease in debt is due primarily to repayment of the City debt of $1.53 million, and the balance due to repayment of other debt.

Table 6
Outstanding Debt at Year-end
(in Millions)

	Governmental Activities	
	2002	2001
Refunding tax allocation bonds (backed by the Agency) maturing 2008-28, bearing interest rates from 3.9%-7.83%.	$ 72.45	$ 73.74
Loan from the City of Orange (paid July 1, 2001)	-	1.53
Installment Note – Post property	.16	.18
Police Facility capital lease maturing in 2014, bearing interest rates from 4.0%-5.0%.	10.09	10.66
	$ 82.70	$ 86.11

Additional information on the Agency's long-term debt can be found in note 7 on pages 43 to 47 of this report.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances. If you have any questions about this report or need additional information, please contact the Agency's Finance Department, at the City of Orange, 300 East Chapman Avenue, Orange, California 92866, or call (714) 744-2259.

CITY OF ORANGE REDEVELOPMENT AGENCY

Statement of Net Assets

June 30, 2002

		2002	2001
ASSETS:			
Cash and investments (note 4)	$	31,478,210	33,450,073
Cash and investments with fiscal agents (note 4)		7,003,815	7,038,084
Accounts receivable		489,894	602,432
Loans receivable (note 5)		9,890,381	9,283,661
Land held for resale (note 9)		142,200	1,210,860
Capital assets, land (note 6)		1,508,583	1,508,583
Other capital assets, net (note 6)		1,488,271	1,562,509
Total assets		52,001,354	54,656,202
LIABILITIES:			
Accounts payable		525,678	582,221
Accrued liabilities (note 12)		3,012,592	2,764,327
Long-term liabilities (note 7)			
Due within one year		2,001,613	3,407,936
Due in more than one year		80,702,214	82,703,827
Total liabilities		86,242,097	89,458,311
NET ASSETS:			
Invested in capital assets, net of related debt (note 6)		2,524,062	2,668,087
Restricted Net Assets:			
Debt service		11,281,966	9,706,974
Low and moderate housing		14,046,615	12,724,438
Economic Development		17,645,841	21,648,172
Unrestricted (note 11)		(79,739,227)	(81,549,780)
Total net assets	$	(34,240,743)	(34,802,109)

See accompanying notes to financial statements.

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CITY OF ORANGE REDEVELOPMENT AGENCY

Statement of Activities

Year Ended June 30, 2002

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants	Net (Expense) Revenue and Changes in Net Assets, Governmental Activities: 2002	Net (Expense) Revenue and Changes in Net Assets, Governmental Activities: 2001
Governmental activities:						
General government	$ 277,939	-	-	-	(277,939)	(232,949)
Low and moderate housing	487,223	-	-	-	(487,223)	(408,127)
Economic development	6,510,594	-	-	-	(6,510,594)	(4,346,606)
Interest expense	4,785,312	-	-	-	(4,785,312)	(5,024,225)
Totals	$ 12,061,068	-	-	-	(12,061,068)	(10,011,907)
General revenues:						
Tax Increment					13,636,229	12,892,501
Less pass through obligations					(2,758,816)	(2,527,304)
Investment income					1,729,970	2,601,717
Other revenues					15,051	31,803
Total general revenues					12,622,434	12,998,717
Change in net assets					561,366	2,986,810
Net assets at beginning of year					(34,802,109)	(37,788,919)
Net assets at end of year					$ (34,240,743)	(34,802,109)

See accompanying notes to financial statements.

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Governmental Funds

Major Governmental Funds

SPECIAL REVENUE FUND

The Low and Moderate Housing Fund is used to account for low and moderate-income housing activities city-wide. Funding for these activities consists of a 20% transfer in from the Agency's tax increment revenue from the Tustin Street, Southwest and Northwest project areas. Other financing sources may include 20% of proceeds from long-term debt issues for which housing tax increment revenue was pledged.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation or resources for, and payment of, general long-term debt principal, interest, and related costs. The following have been classified as major funds in the accompanying financial statements:

The Tustin Street Debt Service Fund is used to account for the receipt of tax increment revenue generated by the Tustin Street project area, payment of interest and principal on the Tustin Street 1997 Tax Allocation Bonds, and pass-through obligations to other taxing entities within the project area.

The Southwest Orange Debt Service Fund is used to account for the receipt of tax increment revenue generated by the Southwest Orange project area, payment of interest and principal on the Southwest 1993 Tax Allocation Bonds, and pass-through obligations to other taxing entities within the project area.

The Northwest Orange Debt Service Fund is used to account for the receipt of tax increment revenue generated by the Northwest Orange project area, payment of interest and principal on the Northwest 1993 Tax Allocation Bonds, and pass-through obligations to other taxing entities within the project area.

CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for capital projects, project related expenses and activities as well as administrative costs to sustain those activities. Available revenue resources consist of property tax increment, proceeds from long-term debt issues and repayment of commercial loans granted for rehabilitation of properties.

The Tustin Street Capital Projects Fund is used to account for expenses and activities within the Tustin Street Project Area including administrative costs. Revenue resources are project area related as well.

The Southwest Orange Capital Projects Fund is used to account for expenses and activities within the Southwest Orange Project Area including administrative costs. Revenue resources are project area related as well.

The Northwest Orange Capital Projects Fund is used to account for expenses and activities within the Northwest Orange Project Area including administrative costs. Revenue resources are project area related as well.

CITY OF ORANGE REDEVELOPMENT AGENCY

Balance Sheet

Governmental Funds

June 30, 2002

	Special Revenue Fund	Debt Service Funds		
	Low and Moderate Housing	Tustin Street	Southwest	Northwest
ASSETS:				
Cash and investments (note 4)	$ 4,252,143	2,093,011	3,897,661	3,424,454
Receivables, net:				
Taxes	-	36,727	77,377	76,534
Accounts	126	-	-	-
Interest	43,821	19,231	39,074	31,913
Prepaid items	-	-	-	-
Loans receivable, net (note 5)	8,174,976	-	-	-
Land held for resale (note 9)	142,200	-	-	-
Restricted assets:				
Cash and investments (notes 4 and 5)	1,474,808	-	-	-
Cash and investments with fiscal agents (note 4)	-	836,626	3,407,925	2,759,264
Total assets	$ 14,088,074	2,985,595	7,422,037	6,292,165
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 10,719	-	-	-
Accrued expenses	29,382	-	-	-
Deposits payable	1,358	-	-	-
Due to other agencies (note 8)	-	205,946	674,052	688,385
Total liabilities	41,459	205,946	674,052	688,385
Fund Balances:				
Reserved for:				
Encumbrances	26,813	-	-	-
Continuing appropriations	2,720,612	-	-	-
Noncurrent portion of loans receivable	8,103,534	-	-	-
Land held for resale	142,200	-	-	-
Debt service	-	2,779,649	6,747,985	5,603,780
Unreserved, designated for:				
Low and moderate housing	3,053,456	-	-	-
Capital projects	-	-	-	-
Total fund balances	14,046,615	2,779,649	6,747,985	5,603,780
Total liabilities and fund balances	$ 14,088,074	2,985,595	7,422,037	6,292,165

See accompanying notes to financial statements.

Capital Project Funds			Totals	
Tustin Street	Southwest	Northwest	2002	2001
3,978,138	3,464,732	8,503,263	29,613,402	31,449,600
-	-	-	190,638	64,263
-	565	23,750	24,441	28,665
34,777	25,762	79,762	274,340	509,504
-	475	-	475	-
954,858	703,047	57,500	9,890,381	9,283,661
-	-	-	142,200	1,210,860
40,000	350,000	-	1,864,808	2,000,473
-	-	-	7,003,815	7,038,084
5,007,773	4,544,581	8,664,275	49,004,500	51,585,110
9,852	498,430	6,677	525,678	582,221
19,176	20,491	15,162	84,211	70,443
-	1,000	-	2,358	11,321
-	-	-	1,568,383	1,284,324
29,028	519,921	21,839	2,180,630	1,948,309
15,490	336,641	21,258	400,202	959,044
429,299	1,254,047	999,265	5,403,223	6,816,064
915,216	682,877	42,500	9,744,127	9,138,092
-	-	-	142,200	1,210,860
-	-	-	15,131,414	15,264,191
-	-	-	3,053,456	1,862,536
3,618,740	1,751,095	7,579,413	12,949,248	14,386,014
4,978,745	4,024,660	8,642,436	46,823,870	49,636,801
5,007,773	4,544,581	8,664,275	49,004,500	51,585,110

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CITY OF ORANGE REDEVELOPMENT AGENCY

Reconciliation of the Balance Sheet of Governmental Funds

to the Statement of Net Assets

Governmental Funds

June 30, 2002

	2002
Fund balance/net assets of governmental activities	$ 46,823,870
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Net of accumulated depreciation expense)	2,996,854
The following long-term liabilities, are not due and payable in the current period therefore are not reported in the funds.	
Tax Allocation Bonds Payable and other long-term liabilities	(82,703,827)
Accrued liabilities in the statement of net assets differ from the amount reported in governmental funds due to accrued interest on Tax Allocation Bonds Payable.	(1,357,640)
Net assets of governmental activities (note 2a)	$ (34,240,743)

See accompanying notes to financial statements.

CITY OF ORANGE REDEVELOPMENT AGENCY

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year ended June 30, 2002

	Special Revenue Fund	Debt Service Funds		
	Low and Moderate Housing	Tustin Street	Southwest	Northwest
REVENUES:				
Tax increment	$ 2,727,246	1,702,586	5,057,364	4,149,033
Investment income	329,727	101,836	239,312	201,012
Other revenues	12,111	-	-	-
Total revenues	3,069,084	1,804,422	5,296,676	4,350,045
EXPENDITURES:				
Current:				
General government	100,582	-	-	-
Economic development	397,958	15,579	48,577	37,341
Tax increment shift:				
Pass-through payments (note 8)	-	349,269	1,024,321	1,385,226
Redevelopment project costs	89,265	-	-	-
Debt service:				
Principal (note 7)	-	140,000	670,000	485,000
Interest	-	654,789	2,355,280	1,490,438
Police COP lease payment (note 7)	-	-	-	-
Total expenditures	587,805	1,159,637	4,098,178	3,398,005
Excess (deficiency) of revenues over expenditures	2,481,279	644,785	1,198,498	952,040
OTHER FINANCING SOURCES (USES):				
Transfers in (note 14)	-	158,958	605,056	395,088
Transfers out (note 14)	(1,159,102)	(661,805)	(2,146,405)	(1,278,992)
Total other financing sources (uses)	(1,159,102)	(502,847)	(1,541,349)	(883,904)
Net change in fund balances	1,322,177	141,938	(342,851)	68,136
Fund balances at beginning of year	12,724,438	2,637,711	7,090,836	5,535,644
Fund balances at end of year	$ 14,046,615	2,779,649	6,747,985	5,603,780

See accompanying notes to financial statements

Capital Project Funds			Totals	
Tustin Street	Southwest	Northwest	2002	2001
-	-	-	13,636,229	12,892,501
237,336	192,268	428,479	1,729,970	2,601,717
300	1,310	1,330	15,051	31,803
237,636	193,578	429,809	15,381,250	15,526,021
59,109	59,120	59,128	277,939	232,949
432,001	633,088	410,494	1,975,038	1,772,219
-	-	-	2,758,816	2,527,304
371,198	2,447,862	2,040,216	4,948,541	2,935,731
-	1,542,936	-	2,837,936	1,224,164
14,125	29,385	14,620	4,558,637	4,755,834
251,182	293,046	293,046	837,274	838,646
1,127,615	5,005,437	2,817,504	18,194,181	14,286,847
(889,979)	(4,811,859)	(2,387,695)	(2,812,931)	1,239,174
661,805	2,146,405	1,278,992	5,246,304	6,806,868
-	-	-	(5,246,304)	(6,806,868)
661,805	2,146,405	1,278,992	-	-
(228,174)	(2,665,454)	(1,108,703)	(2,812,931)	1,239,174
5,206,919	6,690,114	9,751,139	49,636,801	48,397,627
4,978,745	4,024,660	8,642,436	46,823,870	49,636,801

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CITY OF ORANGE REDEVELOPMENT AGENCY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Governmental Funds

Year Ended June 30, 2002

		2002
Net change in fund balances - total governmental funds	$	(2,812,931)
Amounts reported for governmental Statement of Revenues, Expenditures and Changes in Fund Balances differs from the amounts reported in the Statement of Activities because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense for the current period.		(37,962)
Retirement of capital assets during the current year ($5,576) and reduction of construction in progress ($30,700).		(36,276)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets.		3,407,936
Accrued interest for Tax Allocation Bonds. This is the net change in accrued interest for the current period.		40,599
Change in net assets of governmental activities (note 2b)	$	561,366

See accompanying notes to financial statements

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CITY OF ORANGE REDEVELOPMENT AGENCY

In Order of Presentation

Year ended June 30, 2002

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1) Reporting Entity and Summary of Significant Accounting Policies

(a) History and Organization

The City of Orange Redevelopment Agency (Agency) was activated on July 26, 1983 pursuant to the State of California Health and Safety Code Section 33000, entitled "Community Redevelopment Law." The Agency acts as a separate legal entity from the City of Orange (City), although the City Council of the City functions as the Agency's governing board. The Agency has no employees. All Agency duties are performed by City employees for which the City is reimbursed for the cost of services provided. The primary purpose of the Agency is to alleviate blight by encouraging the development and/or redevelopment of residential, commercial, industrial, recreational and public facilities.

For the period under audit, the agency consisted of the Tustin Street Project, the Southwest Project and the Northwest Project Areas, which were adopted December 6, 1983, November 20, 1984 and June 28, 1998 respectively. Three amendments to the Southwest Project were approved on July 15, 1986, July 5, 1988, and July 9, 1996. An amendment to the Tustin Street Project was approved on June 21, 1988. All three project areas were amended by City Ordinance on November 8, 1994 to comply with requirements of California Assembly Bill 1290 under the amended Health and Safety Code Section 33333.6 of California Community Redevelopment Law.

On November 27, 2001 the City Council of the City of Orange approved Ordinance No. 21-02 that merged and amended the Tustin Street Project Area, Southwest Project Area, and Northwest Project Area into the Orange Merged and Amended Redevelopment Project Area. The amendments extend the time limit to incur debt from 20 years to 30 years from the date of adoption for each project or amendment area, and re-established the Agency's eminent domain authority on non-residential properties within the project area. The merger enables the agency to pool financial resources from all project areas to facilitate the funding of redevelopment projects. Previously, under California Community Redevelopment Law, projects within the boundaries of a specific project area could not be funded from resources outside of that project area.

The Agency is a blended component unit of the City of Orange, and as such, the Agency's financial activities are included with the financial activities of the City of Orange for financial reporting purposes.

1) Reporting Entity and Summary of Significant Accounting Policies (continued)

(b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the Agency are composed of the following:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Financial reporting is based upon all GASB pronouncements, as well as the FASB Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

Government-wide Financial Statements

Government-wide Financial Statements display information about the Agency as a whole. These statements include separate columns for the government and business-type activities of the primary government. The Agency does not have business-type activities. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the Agency.

Government-wide Financial Statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting Agency's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program. There were no program revenues for the year ended June 30, 2002.

Amounts paid to acquire capital assets are capitalized as assets in the Government-wide Financial Statements, rather than reported as an expenditures. Proceeds of long-term debt are

1) Reporting Entity and Summary of Significant Accounting Policies (continued)

recorded as a liability in the Government-wide Financial Statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the Agency is organized and operated on the basis of separate funds, each of which is considered to be 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 or expenses, as appropriate.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund Financial Statements for the primary government's governmental funds are presented after the Government-wide Financial Statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. The Agency has no non-major funds.

Governmental Funds

In the Fund Financial Statements, governmental funds are presented using the ***modified-accrual basis of accounting***. Their revenues are recognized when they become ***measurable*** and ***available*** as net current assets. ***Measurable*** means that the amounts can be estimated, or otherwise determined. ***Available*** means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Agency uses an availability period of sixty days.

Property taxes and interest income associated with the current fiscal period are accrued and recognized as revenues of the current fiscal period to the extent collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). ***Locally imposed tax revenues*** are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. ***Imposed non-exchange*** transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. ***Government-mandated and voluntary non-exchange transactions*** are recognized as revenues when all applicable eligibility requirements have been met.

1) Reporting Entity and Summary of Significant Accounting Policies (continued)

In the Fund Financial Statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

As a result of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as government fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenditures are considered to be paid first from restricted resources, and then from unrestricted resources.

(c) Major Funds

The major funds of the Agency are as follows:

Special Revenue Fund:

The Low and Moderate Housing Fund is used to account for low and moderate-income housing activities city-wide. Funding for these activities consists of a 20% transfer in from the Agency's tax increment revenue from Tustin Street, Southwest and Northwest project areas, and State or Federal housing program grantors. Other financing sources may include 20% of proceeds from long-term debt issues for which housing tax increment revenue was pledged. A consolidating schedule has been provided in the supplementary section of this report to show the break-down of this fund by project area.

1) Reporting Entity and Summary of Significant Accounting Policies (continued)

Debt Service Funds:

The Tustin Street Debt Service Fund is used to account for the receipt of tax increment revenue generated by the Tustin Street project area and the payment of interest and principal on the Tustin Street 1997 Tax Allocation Bonds. Pass-through payment obligations to other taxing entities within the project area are also reported in this fund.

The Southwest Orange Project Debt Service Fund is used to account for the receipt of tax increment revenue generated by the Southwest project area and the payment of interest and principal on the Southwest Orange 1993 Tax Allocation Bonds. Pass-through payment obligations to other taxing entities within the project area are also reported in this fund.

The Northwest Orange Project Debt Service Fund is used to account for the receipt of tax increment revenue generated by the Northwest project area and the payment of interest and principal on the Northwest Orange 1993 Tax Allocation Bonds. Pass-through payment obligations to other taxing entities within the project area are also reported in this fund.

Capital Project Funds:

The Tustin Street Capital Projects Fund is used to account for project area related expenses and activities as well as administrative costs to sustain those activities. Available revenue resources consist of proceeds from long-term debt issues, tax increment generated by the project area and repayment of commercial loans granted for rehabilitation of properties within the area.

The Southwest Orange Capital Projects Fund is used to account for project area related expenses and activities as well as administrative costs to sustain those activities. Available revenue resources consist of proceeds from long-term debt issues, tax increment generated by the project area and repayment of commercial loans granted for rehabilitation of properties within the area.

The Northwest Orange Capital Projects Fund is used to account for project area related expenses and activities as well as administrative costs to sustain those activities. Available revenue resources consist of proceeds from long-term debt issues, tax increment generated by the project area and repayment of commercial loans granted for rehabilitation of properties within the area.

1) Reporting Entity and Summary of Significant Accounting Policies (continued)

(d) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for certificates of deposit and investment contracts that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The Agency's cash and investments held by fiscal agents are pledged for repayment or as security for certain long-term debt issuances. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with ordinances, resolutions or indentures specifying the types of investments made by its trustees or fiscal agents.

Cash and investments, except for cash and investments with fiscal agents, are pooled with other City of Orange funds for investment purposes, with interest allocated monthly to all funds legally requiring allocation, and to other various funds at the direction of management, based on average month-end pooled cash and investment balances. Interest income from cash and investments of funds excluded from pooled cash is credited directly to the related fund. Investment policies applicable to the Agency's funds are those of the City of Orange and are included in the footnotes of the City's general purpose financial statements.

(e) Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed fixed assets are valued at their estimated fair market value at the date of the contribution. Generally, fixed asset purchases in excess of $5,000 are capitalized if they have an expected useful life of three years or more.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method, in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The useful lives of capital asset classes for depreciation purposes are as follows:

Building and improvements	20-50 years
Equipment	5-20 years

(f) Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Agency's financial position and operations. Certain minor reclassifications have been made to the prior year financial data to conform to the current year presentation.

2) Reconciliation of Government-wide and Fund Financial Statements

(a) Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets

"Total fund balances" of the Agency's governmental funds were $46,823,870, which differs from the "net assets" of governmental activities amount of ($34,240,743), reported in the Statement of Net Assets. This difference primarily results from the long-term economic focus of the Statement of Net Assets versus the current financial resources focus of the governmental fund balance sheets. The following adjustments have been made to effect this difference and are further illustrated in the detail schedule on page 32 and the summary on page 17.

Capital Related Items

When capital assets (property, plant, and equipment) are used, purchased or constructed in governmental activities, the cost of those assets are reported as expenditures in the governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the Agency as a whole. The historical cost of capital assets of $3,422,402 is reduced by accumulated depreciation in the amount of $425,548 for a net capital assets value of $2,996,854 as of June 30, 2002.

Long-term Debt Transactions

Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets, consisting of tax allocation bonds in the amount of $51,570,000, taxable tax allocation bonds in the amount of $20,880,000, a reimbursement agreement in the amount of $10,090,000 and an installment note in the amount of $163,827. The total long-term debt payable in future years as of June 30, 2002, is $82,703,827

Accrued Interest

Accrued liabilities in the Statement of Net Assets differ from the amount reported in governmental funds due to accrued interest on tax allocation bonds payable. The amount of $1,357,640 represents accrued interest expense on the bonds through June 30, 2002.

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the Government-wide Financial Statements, except for net residual amounts due between governmental activities. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once, in the function in which they are allocated.

CITY OF ORANGE REDEVELOPMENT AGENCY

Notes to Financial Statements

(continued)

2) Reconciliation of Government-wide and Fund Financial Statements

(a) Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets (continued)

	Total Governmental Funds	Capital Related Items	Accumulated Depreciation & Changes	Long-term Debt Transactions	Interest Payable	Reclassifications and Eliminations	Statement of Net Assets
ASSETS:							
Cash and investments	$ 29,613,402						29,613,402
Receivables, net:							
Taxes	190,638						190,638
Accounts	24,441						24,441
Interest	274,340						274,340
Prepaid items	475						475
Loans receivable, net (note 5)	9,890,381						9,890,381
Land held for resale (note 9)	142,200						142,200
Restricted Assets:							
Cash and investments (note 4)	1,864,808						1,864,808
Cash and investments with fiscal agents (notes 4 and 5)	7,003,815						7,003,815
Capital assets (note 6)							
Land	-	1,508,583					1,508,583
Structures and improvements	-	1,898,108					1,898,108
Equipment	-	15,711					15,711
Accumulated depreciation	-	-	(425,548)	-	-	-	(425,548)
Total assets	$ 49,004,500	3,422,402	(425,548)	-	-	-	52,001,354
LIABILITIES AND FUND BALANCES/NET ASSETS:							
Liabilities:							
Accounts payable	$ 525,678						525,678
Accrued expenses	84,211						84,211
Accrued interest	-				1,357,640		1,357,640
Deposits payable	2,358						2,358
Due to other agencies (note 8)	1,568,383						1,568,383
Long-term liabilities - due within one year	-					2,001,613	2,001,613
Long-term liabilities - non current	-	-	-	82,703,827	-	(2,001,613)	80,702,214
Total liabilities	2,180,630	-	-	82,703,827	1,357,640	-	86,242,097
Fund balances/net assets	46,823,870	3,422,402	(425,548)	(82,703,827)	(1,357,640)	-	(34,240,743)
Total liabilities and fund balances/net assets	$ 49,004,500	3,422,402	(425,548)	-	-	-	52,001,354

2) Reconciliation of Government-wide and Fund Financial Statements (continued)

(b) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" for governmental funds was ($2,812,931), which differs from the "change in net assets" for governmental activities of $561,366, reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the government funds. The following adjustments are explained below and are illustrated in the detail schedule on page 35 and the summary on page 21.

Capital Related Items

When capital assets are purchased or constructed for use in governmental activities, the resources expended for those assets are reported as expenditures in governmental funds. In the Statement of Activities, however, the costs of those assets are allocated over their estimated useful lives and reported annually as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year. Depreciation is distributed between the Low and Moderate Housing and Economic Development categories. The full amount of depreciation expense of $37,962 was a function of Economic Development.

Long-term Debt Transactions

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Repayment of bond principal is reported as an expenditure in governmental funds and, therefore, has the effect of reducing fund balance because current financial resources have been used. For the Agency as a whole, however, the principal payments reduce the liabilities in the Statement of Net Assets and do not result in an expense in the Statement of Activities. Principal payments made during the fiscal year were $3,407,936.

Accrued Interest

Beginning fund balance in the Statement of Activities has been restated to reflect the retroactive recording of accrued interest on Tax Allocation Bonds payable. Interest expense has been reduced by accrued interest as of June 30, 2001 in the amount of $1,398,239 and increased by accrued interest as of June 30, 2002 of $1,357,640, an overall reduction of interest expense of $40,599.

2) Reconciliation of Government-wide and Fund Financial Statements (continued)

(b) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities (continued)

Arbitrage Interest

Any liability for arbitrage interest is recorded in the fund incurring the liability and interest income is reduced by the amount of liability incurred during the year. There is no arbitrage liability at June 30, 2002.

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the Government-wide Financial Statements, except for net residual amounts due between governmental activities. Any allocation must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once, in the function in which they are allocated. Certain reclassifications are made to convert expenditure classifications in the fund financial statements to those required for the statement of activities.

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CITY OF ORANGE REDEVELOPMENT AGENCY

Notes to Financial Statements

(continued)

2) Reconciliation of Government-wide and Fund Financial Statements (continued)

(b) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities (continued)

	Total Governmental Funds	Capital Related Items	Accumulated Depreciation and Deletions	Long-term Debt Transactions	Interest Payable	Reclassifications and Eliminations	Statement of Activities
REVENUES:							
Tax increment	$ 13,636,229						13,636,229
Less Pass-through payments						(2,758,816)	(2,758,816)
Investment income	1,729,970						1,729,970
Other revenues	15,051		-	-	-	-	15,051
Total revenues	15,381,250	-	-	-	-	(2,758,816)	12,622,434
EXPENDITURES:							
Current:							
General government	277,939						277,939
Low and Moderate Housing	397,958					89,265	487,223
Economic development	1,577,080	36,276	37,962			4,859,276	6,510,594
Tax increment shift:							
Pass-through payments (note 8)	2,758,816					(2,758,816)	-
Redevelopment project costs	4,948,541					(4,948,541)	-
Debt service:							
Principal (note 7)	2,837,936			(2,837,936)			-
Interest	4,558,637				(40,599)	267,274	4,785,312
Police COP lease payment (note 7)	837,274	-	-	(570,000)	-	(267,274)	-
Total expenditures	18,194,181	36,276	37,962	(3,407,936)	(40,599)	(2,758,816)	12,061,068
Excess (deficiency) of revenues over (under) expenditures	(2,812,931)	(36,276)	(37,962)	3,407,936	40,599	-	561,366
OTHER FINANCING SOURCES (USES):							
Transfers in	5,246,304					(5,246,304)	-
Transfers out	(5,246,304)	-	-	-	-	5,246,304	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances/ net assets	(2,812,931)	(36,276)	(37,962)	3,407,936	40,599	-	561,366
Fund balances/net assets, at beginning of year	49,636,801	3,458,678	(387,586)	(86,111,763)	(1,398,239)	-	(34,802,109)
Fund balances/net assets, at end of year	$ 46,823,870	3,422,402	(425,548)	(82,703,827)	(1,357,640)	-	(34,240,743)

3) Property Taxes

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. Taxes paid at the end of the fiscal year but not received by the Agency are recorded as taxes receivable. The County of Orange bills and collects the property taxes and subsequently remits the amount due to the Agency in installments during the year.

The County is permitted by State law (Article XIII A of the California Constitution) to levy taxes at one percent (1%) of full market value at time of purchase and can increase the property's market value no more than two percent (2%) per year. Property values may also increase when improvements are made to such property. The Agency receives a share of this basic levy based on the incremental increase in market value of property in the redevelopment project areas over the base year established when the project area was adopted.

Twenty percent (20%) of property tax increment revenue received by the Agency is allocated to the low and moderate-income housing projects. Such amounts are recorded in the applicable Special Revenue Funds. In addition, approximately 20% of the property tax increment revenue received was passed through to other agencies operating within the redevelopment area, such as the County of Orange and the Orange Unified School District.

4) Cash and Investments

Cash and investments at June 30, 2002 consisted of the following:

Deposits	$ 220,565
Investments	38,261,460
Total cash and investments	$38,482,025

Cash and investments are presented on the accompanying governmental funds balance sheet as follows:

Cash and investments	$29,613,402
Restricted assets – cash and investments	1,864,808
Restricted assets – cash and investments with fiscal agents	7,003,815
Total cash and investments	$38,482,025

4) Cash and Investments (continued)

The Agency follows the practice of pooling cash and investments of all funds, except for State of California Local Agency Fund investments and funds required to be held by outside fiscal agents under the provisions of bond indentures. Cash and investments with fiscal agents of $7,003,815 are restricted for debt service.

Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Authorized Investments:

Under the provisions of the Agency's investment policy adopted by the Agency Board of Directors on October 9, 2001, ORA-0402, and in accordance with Section 53601 of the California Government Code, the Agency may invest in the following types of investments:

- United States Treasury notes, bonds, bills or certificates of indebtedness, or any other securities which the faith and credit of the United States are pledged for the payment of principal and interest (Limits: Maximum time to maturity at purchase five years).

- Obligations or other instruments issued by *a federal agency* of the United States government-sponsored enterprise (Limits: Maximum time to maturity at purchase 5 years; maximum $50 million of portfolio; excluding Government National Mortgage Association bonds).

- Money market mutual funds, which invest only in securities and obligations of the United States government (Limits: Maximum 90 days to weighted average maturity; maximum concentration $15 million, or 20%, of portfolio, whichever is less).

- State of California Local Agency Investment Fund (Limits: Maximum $15 million limit for Agency accounts).

Deposits - Credit Risk, Carrying Amount and Bank Balance:

The California Government Code requires California banks and savings and loan associations to secure a local government's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the local government's deposits. California law also allows financial institutions to secure local government deposits by pledging first trust deed mortgage notes having a value of 150% of the local government's total deposits. Collateral requirements for deposits that are fully insured by federal depository insurance may be waived.

4) Cash and Investments (continued)

Cash and non-negotiable certificates of deposit are classified as to credit risk by three categories as follows: Category 1 - Insured or collateralized with securities held by the Agency or by its agent in the Agency's name; Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Agency's name; Category 3 - Uncollateralized.

As of June 30, 2002 deposit balances were categorized as follows:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Cash in bank	$100,000	120,565	-	220,565	220,565
Total Deposits	$100,000	120,565	-	220,565	220,565

Investments - Credit Risk, Carrying Amount, and Market Value of Investments:

The investments that are represented by specific identifiable investment securities are classified as to risk in three categories as follows: Category 1 - Insured or registered or securities held by the Agency or its agent in the Agency's name. Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the Agency's name. Category 3 - Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the Agency's name.

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4) Cash and Investments (continued)

Investments held by the Agency at June 30, 2002, are categorized below:

	Category 1	Category 2	Category 3	Carrying Amount
Pooled Investments:				
U.S. Treasury Notes	$ 8,608,956			8,608,956
U.S. Treasury Bills	8,388,958			8,388,958
Federal Home Loan Bank	4,342,418			4,342,418
Federal National Mortgage Association Bonds	3,155,364			3,155,364
Federal Home Loan Mortgage Corporation	1,761,401	-	-	1,761,401
Subtotal Pooled Investments	26,257,097	-	-	26,257,097
State of California Local Agency Investment Fund *	-	-	-	5,000,548
Total Pooled Investments	26,257,097	-	-	31,257,645
Investments with Fiscal Agents:				
First American Treasury Obligation Fund *	-			836,626
BNY Hamilton Treasury Fund *	-	-	-	6,167,189
Total Investments with Fiscal Agents	-	-	-	7,003,815
Total Investments	$26,257,097	-	-	38,261,460

* Investment pools and mutual funds are not subject to categorization.

The carrying amount of all investments reflected in the above table is at fair value.

4) Cash and Investments (continued)

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations.

5) Loans Receivable

The Agency provides loans to private businesses to fund development projects within the Tustin Street, Southwest Orange and Northwest Orange Redevelopment Project Areas through the Commercial Rehabilitation Loan Program. The loans bear interest rates ranging from 3 to 7-1/2% per annum and are to be repaid in monthly installments over an established time period.

In 1998 the Agency Board approved a Restaurant Improvement Program providing assistance to new restaurants in the Old Towne area. The restaurants in the Old Towne area are typically located in older historically significant buildings. The goal of the program is to enable restaurants with existing participation agreements to defer debt during a start-up period. The program restructures repayment of loans granted by the Agency to allow the restaurant operating revenues to increase to the point that repayment of the debt is affordable. The First Amendment to the program, approved in May of 2002, established the Restaurant Minor Rehabilitation Program for existing restaurants. The program will provide rehabilitation loans, up to a maximum of $50,000, for the purpose of assisting with the cost of structural improvements needed to meet current building and health code requirements.

In July 2001 the Agency Board of Directors approved the West Chapman Reinvestment Strategy in conjunction with the City's plan to widen West Chapman Avenue from Main Street to the Orange Freeway (SR57). The rehabilitation and enhancement of this vital transportation corridor has been a long-term goal of the City and the widening will further affect the existing streetscape. The program will provide loan and grant assistance to property and business owners in the target area for the purpose of upgrading signage, landscaping, parking, and building facades in an effort to encourage new investment and promote business expansion opportunities.

5) Loans Receivable (continued)

The Agency also provides housing loans for the rehabilitation and expansion of housing for low and moderate-income families in the City of Orange. First-time homebuyer loans assist new homebuyers with 10% of the purchase price, up to a maximum of $22,500. Repayment is deferred for five years at 0% interest, and then is payable in monthly installments in years 6 through 15 at 5% per annum. Housing rehabilitation loans are for the purpose of rehabilitation and upgrading of existing housing due to structural deficiencies. Housing loans also assist in the construction of new multi-family housing projects or the rehabilitation of existing multi-family units.

Loan balances at June 30, 2002, are comprised of the following:

Commercial loans principal outstanding	$1,715,405
Housing loans principal outstanding	8,174,976
Total loans outstanding	$9,890,381

Fund balance is reserved for the non-current portion of loans receivable, in the amount of $9,744,127. In addition to loans outstanding at year-end, $1,864,808 in committed loan funds had not been disbursed and are classified as restricted cash as of June 30, 2002.

6) Capital Assets

The following is a schedule of the changes in capital assets for the year ended June 30, 2002:

	July 1, 2001	Additions	Deletions	June 30, 2002
Land *	$1,508,583	-	-	1,508,583
Structures and improvements	1,898,108	-	-	1,898,108
Equipment	21,287	-	(5,576)	15,711
Construction in progress *	30,700	-	(30,700)	-
Totals at historical cost	3,458,678	-	(36,276)	3,422,402
Less accumulated depreciation:				
Structures and improvements	(371,875)	(37,962)		(409,837)
Equipment	(15,711)	-	-	(15,711)
Total capital assets, net	$3,071,092	(37,962)	(36,276)	2,996,854
Less long-term related debt				(472,792)
Capital assets net of related debt				$2,524,062

* Land and Construction in progress are not depreciated.

Current year depreciation expense of $37,962 pertains to the Economic Development function.

6) Capital Assets (continued)

The Agency has provided funding for the acquisition, construction and rehabilitation of assets of the City of Orange. A summary of this funding for the period July 1, 1984 through June 30, 2002 is as follows:

Buildings and Improvements	Amount
Civic Center	$ 2,561,782
Police Facilities	2,757,789
Fire Facilities	1,308,643
Libraries	56,829
Senior Citizen Center	121,502
Historic Plaza rehabilitation	911,644
Park Facilities rehabilitation	917,131
Total Buildings and Improvements	8,635,320
Infrastructure	
Street Construction	9,494,497
Parking Lot expansion/rehabilitation	1,179,779
Sewers	700,182
Storm Drains	983,223
Traffic Signals	147,078
Other Infrastructure	336,894
Total Infrastructure	12,841,653
Total Agency funding of City owned infrastructure and assets	$21,476,973

CITY OF ORANGE REDEVELOPMENT AGENCY

Notes to Financial Statements

(continued)

7) Long-Term Liabilities

The following summarizes changes in long-term liabilities for the year ended June 30, 2002:

Description	Outstanding July 1, 2001	Additions	Reductions	Outstanding June 30, 2002	Amount Due Within One Year
1993A Southwest Orange Tax Allocation Refunding Bonds	$32,750,000	-	-	32,750,000	-
1993B Southwest Orange Taxable Tax Allocation	7,105,000	-	670,000	6,435,000	720,000
1993A Northwest Orange Taxable Tax Allocation	8,500,000	-	485,000	8,015,000	515,000
1993B Northwest Orange Tax Allocation Refunding Bonds	16,000,000	-	-	16,000,000	-
1997A Tustin Street Tax Allocation Refunding Bonds	2,940,000	-	120,000	2,820,000	130,000
1997B Tustin Street Tax Allocation Refunding Bonds	6,450,000	-	20,000	6,430,000	20,000
Subtotal	73,745,000	-	1,295,000	72,450,000	1,385,000
Reimbursement Agreement Police Facility Lease	10,660,000	-	570,000	10,090,000	600,000
City of Orange Loan	1,527,597	-	1,527,597	-	-
Installment Note – 190 S. Olive	179,166	-	15,339	163,827	16,613
Total	$86,111,763	-	3,407,936	82,703,827	2,001,613

Tax Allocation Bonds and Notes

The tax allocation bonds and notes are special obligations of the Agency, payable from tax revenues generated within the respective project area for which the bonds or notes were issued. These bond issues are described as follows:

To provide funds to advance refund the 1986 Southwest Orange Tax Allocation Bonds and the 1988 Southwest Orange Subordinated Tax Allocation Notes and to provide additional funds to finance public improvements in the Southwest Orange Project Area, the Agency sold Tax Allocation Refunding Bonds - Issue "A", on May 4, 1993, in the amount of $32,750,000 maturing October 1, 2023. The term bonds are payable in annual installments of $1,410,000 to $3,180,000 and mature in years 2009 to 2023. The interest rate on the bonds is 5.70%. Funds in the amount of $3,282,090 are currently in cash reserves and, in combination with reserves in the Southwest 1993 "B" issue, are sufficient to cover the maximum annual debt service requirement for the Southwest Orange 1993 "A" & "B" issues. The total of bonds outstanding at June 30, 2002 were $32,750,000.

7) Long-Term Liabilities (continued)

To provide funds to refund the 1988 Southwest Orange Subordinated Taxable Tax Allocation Notes and provide additional funds to acquire land and implement economic development in accordance with the Redevelopment Plan for the Southwest Project Area, the Agency sold Taxable Tax Allocation Refunding Bonds - Issue "B", on May 28, 1993, in the amount of $11,000,000 maturing October 1, 2008. The term bonds are payable in annual installments of $375,000 to $1,145,000 and mature in years 1993 to 2008. Interest rates on the bonds range from 6.20% to 7.25%. Funds in the amount of $125,835 are currently in cash reserves and, in combination with reserves in the Southwest 1993 "A" issue, are sufficient to cover the maximum annual debt service requirement for the Southwest Orange 1993 "A" & "B" issues. The total of bonds outstanding at June 30, 2002 were $6,435,000.

To provide funds to advance refund the 1988 Northwest Orange Taxable Tax Allocation Bonds and the 1990 Northwest Orange Taxable Tax Allocation Notes and to provide additional funds to finance public improvements in the Northwest Project Area, the Agency sold Taxable Tax Allocation Refunding Bonds - Issue A, on October 26, 1993, in the amount of $11,000,000 maturing October 1, 2013. The term bonds are payable in annual installments of $115,000 to $940,000 and mature in years 1994 to 2013. The interest rate on the bonds ranges from 5.50% to 7.10%. Funds in the amount of $1,068,865 are currently in cash reserves and, in combination with reserves in the Northwest 1993 "B" issue, are sufficient to cover the maximum annual debt service requirement for the Northwest Orange 1993 "A" and "B" issues. The total of bonds outstanding at June 30, 2002 were $8,015,000.

To provide funds to advance refund the 1988 Northwest Orange Subordinated Tax Allocation Notes and to provide additional funds to finance public improvements in the Northwest Project Area, the Agency, sold Tax Allocation Refunding Bonds - Issue "B", on November 9, 1993, in the amount of $16,000,000 maturing October 1, 2023. The term bonds are payable in annual installments of $540,000 to $1,890,000 and mature in years 2012 to 2023. The interest rate on the bonds is 5.70%. Funds in the amount of $1,690,399 are currently in cash reserves and, in combination with reserves in the Northwest 1993 "A" issue, are sufficient to cover the maximum annual debt service requirement for the Northwest Orange 1993 "A" and "B" issues. The total of bonds outstanding at June 30, 2002 were $16,000,000.

7) Long-Term Liabilities (continued)

To provide funds to advance refund the 1986 Tustin Street Tax Allocation Bonds, the Agency sold Tax Allocation Refunding Bonds - Series "A", on June 10, 1997, in the amount of $3,280,000 maturing September 1, 2016. The issue is comprised of serial bonds and term bonds. The serial bonds are payable in annual installments of $110,000 to $165,000 and mature in years prior to 2007. The term bonds are payable in annual installments of $170,000 to $265,000 mature in the years 2008 to 2016. Interest rates on the bonds range from 3.90% to 5.50%. Funds in the amount of $255,058 are currently in cash reserves and, in combination with reserves in the Tustin Street 1997 "B" issue, are sufficient to cover the maximum annual debt service requirement for the Tustin Street 1993 "A" and "B" issues. The total of bonds outstanding at June 30, 2002 were $2,820,000.

To provide funds to refund the 1992 Tustin Street Subordinated Taxable Tax Allocation Notes, the Agency sold Taxable Tax Allocation Refunding Bonds - Series "B", on June 10, 1997, in the amount of $6,500,000 maturing September 1, 2027. The issue is comprised of serial bonds and term bonds. The serial bonds are payable in annual installments of $15,000 to $45,000 and mature in the years prior to 2013. The term bonds are payable in annual installments of $350,000 to $765,000 and mature in the years 2013 to 2027. Interest rates on the refunding bonds range from 6.38% to 7.83%. Funds in the amount of $581,568 are currently in the cash reserves and, in combination with reserves in the Tustin Street 1997 "A" issue, are sufficient to cover the maximum annual debt service requirement for the Tustin Street 1993 "A" and "B" issues. The total of bonds outstanding at June 30, 2002 were $6,430,000.

Reimbursement Agreement

The Agency entered into a reimbursement agreement with the City of Orange on May 1, 1998 to reimburse the City for expenditures made by the City under a Lease Agreement relating to the Refunding Certificates of Participation (Police Headquarters Facility Project), 1998 Series A. The certificates were sold by the City of Orange on April 14, 1998 in the amount of $12,215,000 to provide funds to refund and defease the outstanding 1989 Certificates of Participation (Orange Police Facility Headquarters Project).

Reimbursement by the Agency to the City is equal to the difference between payments made by the City and amounts collected by the City as capital facilities fees allocable to the Project. The obligation of the Agency to make the payments required under the reimbursement agreement is a general obligation of the Agency, payable from any lawfully available funds of the Agency, including funds derived from any or all of the City's three redevelopment project areas. The maximum reimbursement to the City by the Agency is equal to the debt service requirement of the certificates. The total reimbursement agreement balance outstanding at June 30, 2002 was $10,090,000.

7) Long-Term Liabilities (continued)

Loan Payable

In June 1997 the City approved a loan to the Agency to provide for the acquisition of surplus City property at the northwest corner of West La Veta Avenue and South Main Street for the purpose of redevelopment of the site and adjacent properties for commercial use. A Promissory Note dated July 1, 1997 bears an annual interest rate of 6%. On June 13, 2000, the City approved an extension of the maturity date to July 1, 2003. There is no outstanding balance as the loan was paid in full on July 1, 2001.

Installment Note Payable

In November 1999 the Agency approved a purchase agreement with Ann Post to acquire property at the northwest corner of West Almond Avenue and South Olive Street for the purpose of future expansion of parking facilities for the adjacent Senior Citizens Center. The property was leased to an automotive repair business. As a part of the purchase agreement, the Agency agreed to continue the lease of the property to the existing tenant for as long as he chooses to conduct business at that location. The purchase price was $250,000, with a down payment of $50,000 and an installment note in the amount of $200,000, dated December 23, 1999. The note is amortized over a ten-year period bearing an annual interest rate of 8%, with monthly principal and interest payments of $2,427. The note matures on December 23, 2009. The automobile repair business closed in December 2001, and Agency staff is currently preparing conceptual parking lot plans and conducting environmental assessment studies on the property. The note outstanding at June 30, 2002 was $163,827.

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7) Long-Term Liabilities (continued)

Debt to Maturity Schedule

Annual requirements to amortize all tax allocation bonds, notes and reimbursement agreements outstanding as of June 30, 2002 (including interest payments of $64,747,575) are as follows:

Year Ending June 30,	1993A Southwest Orange Tax Allocation Bonds	1993B Southwest Orange Taxable Tax Allocation Bonds	1993A Northwest Orange Taxable Tax Allocation Bonds	1993B Northwest Orange Tax Allocation Bonds	1997A Tustin Street Tax Allocation Bonds
2003	$ 1,866,750	1,159,013	1,060,937	912,000	276,257
2004	1,866,750	1,165,575	1,061,325	912,000	275,028
2005	1,866,750	1,167,337	1,057,683	912,000	273,498
2006	1,866,750	1,173,900	1,054,728	912,000	276,535
2007	1,866,750	1,175,387	1,053,755	912,000	274,061
2008-12	13,440,400	2,367,944	5,228,665	4,560,000	1,370,213
2013-17	16,218,738	-	1,018,515	8,749,678	1,372,150
2018-22	16,291,432	-	-	9,751,972	-
2023-27	6,537,390	-	-	3,892,610	-
2028	-	-	-	-	-
Total	61,821,710	8,209,156	11,535,608	31,514,260	4,117,742
Less interest payments	(29,071,710)	(1,774,156)	(3,520,608)	(15,514,260)	(1,297,742)
Outstanding principal	$32,750,000	6,435,000	8,015,000	16,000,000	2,820,000

Year Ending June 30,	1997B Tustin Street Taxable Tax Allocation Bonds	Reimbursement Agreement Police Facility Lease	Installment Note Almond/Olive Property	Total
2003	$ 521,431	1,041,425	29,119	6,866,932
2004	520,011	1,037,025	29,119	6,866,833
2005	523,394	1,036,402	29,118	6,866,182
2006	521,581	1,039,343	29,118	6,873,955
2007	524,578	1,035,805	29,119	6,871,455
2008-12	2,616,023	5,165,077	72,797	34,821,119
2013-17	2,608,346	3,083,465	-	33,050,892
2018-22	3,981,952	-	-	30,025,356
2023-27	3,983,728	-	-	14,413,728
2028	794,950	-	-	794,950
Total	16,595,994	13,438,542	218,390	147,451,402
Less interest payments	(10,165,994)	(3,348,542)	(54,563)	(64,747,575)
Outstanding principal	$ 6,430,000	10,090,000	163,827	82,703,827

8) Tax Increment Shift

The Agency has entered into agreements with various governmental agencies to "pass-through" portions of tax increment received to those entities that are located within the Agency's project areas. Tax increment revenue passed through to other agencies during Fiscal Year 2001-02 totaled $2,758,816 of which $1,568,383 was due and payable at year-end and is reflected within "Due to other agencies" in the respective project area debt service funds.

9) Land Held for Resale

In 1991 the Agency purchased property for $1,068,660 for the purpose of assisting in the expansion of an existing auto dealership located on two parcels adjacent to the property. It was later determined that the impact of a City street-widening project on the side of the privately-owned property made the expansion project impracticable. It was also determined that the dealership was no longer compatible with other businesses in the area, and the dealership was subsequently relocated to a larger site within the city. The Agency's land held for resale was sold on September 21, 2001 to VRSJ, LLC for $326,500 for the construction of a parking structure in conjunction with the development of two 40,000 square foot medical office buildings on the former dealership site and transfer of right-of-way for the street widening requirements.

In 2001 the Low and Moderate Housing Fund purchased two surplus property parcels from the City for $142,200. Ownership of the parcels will be transferred to Orange Housing Development Corporation, a third party non-profit entity, upon completion of construction of a six-unit senior affordable housing project currently under design. The completion of the project is projected for Fiscal Year 2002-03. The current value of all property held for resale as of June 30, 2002 is $142,200.

10) Construction and Other Significant Commitments

The Agency has entered into a number of agreements that represent commitments against future revenues. These commitments are contingent upon the occurrence of certain future events, including the receipt of tax increment and the development of certain parcels.

Owner Participation Agreements

In 1992 the Agency entered into an owner participation agreement with Experian Information Solutions, Inc. ("Experian"), formerly TRW Information Systems & Services. This agreement obligates the Agency to pay Experian a maximum of $200,000 annually for 10 years based on the company's occupancy of a minimum of 200,000 square feet of office space and employment of a minimum of 750 employees at the site. The payment for Fiscal Year 2001-02 was $200,000 with a maximum future reimbursement as of June 30, 2002, of $200,000.

10) Construction and Other Significant Commitments (continued)

In 1996 the Agency entered into an owner participation agreement with K & D Investments, owner of property located on Main Street north of Katella Avenue. The agreement obligates the Agency to reimburse K & D Investments for up to $100,000 for fees relating to construction of a new facility at the site. The agreement is in effect for 10 years with reimbursement payable in annual installments of $20,000 for five years, upon satisfaction of conditions on the part of K & D Investments. The payment for Fiscal Year 2001-02 was $20,000. No future payments are required for this project.

In 1996 the Agency entered into a participation agreement with Enterprise Car Sales of Los Angeles for assistance from the Agency in return for the maintenance and operation of a retail site on Tustin Avenue north of Taft Street by Enterprise for a period of a minimum of 15 years. Maximum reimbursement over a 20-year period to Enterprise will be $394,323. The maximum future reimbursement as of June 30, 2002, will total $354,586.

In 2001 the Agency entered into a participation agreement for the sale of Agency owned property at 1429 W. Palmyra Avenue to VRSJ, LLC. The participant purchased two adjacent properties of vacant property formerly occupied by an automobile dealership. The new development consists of two 40,000 square foot medical office buildings and a four-level parking structure. Escrow closed on September 21, 2001. Construction of the structures was complete at the end of the current fiscal year and tenant improvements will be finalized in the fall of 2002. The new development is projected to generate approximately $100,000 in annual tax increment revenue. Upon completion of the project the Agency will refund the purchase cost of $326,500 to VRSJ, LLC.

In 2001 the Agency entered into an owner participation agreement with the Ronald P. Beard Trust and the HLP Family Limited Partnership for redevelopment of property located on East Chapman Avenue near South Tustin Street. The participant will sell a portion of the property that may be needed for future widening of Chapman Avenue at the Tustin Street intersection. An existing commercial building will be partially demolished and rehabilitated to allow for the set-back required for the street widening. Agency participation includes $170,000 for purchase of the right-of-way and additional assistance in the amount of $116,675 for demolition and reconstruction of the existing building and related miscellaneous expenses. The project is expected to be completed in early 2003. The payment for Fiscal Year 2001-02 was $68,875. Future cost to the Agency is $217,800.

10) Construction and Other Significant Commitments (continued)

Commercial Rehabilitation Loan Agreements

In 2000 the Agency entered into a commercial rehabilitation loan agreement with the owners of Villa Ford regarding the property located on Tustin Street south of Lincoln Avenue. The Agency will reimburse Villa Ford for costs relating to rehabilitation of existing buildings and structures of the automobile dealership. The agreement is in effect for 12 years with reimbursement payable in annual installments of $90,000 for seven years. Reconstruction was completed in Fiscal Year 2001-2002. Agency payments will begin in Fiscal Year 2002-03. A maximum future reimbursement as of June 30, 2002, is $630,000.

Disposition and Developer Agreements

In 1990 the Agency entered into a disposition and development agreement with Home Depot USA, Inc., to develop a full service Home Depot Service Store on Katella Avenue west of Glassell Street. This agreement obligates the Agency to reimburse Home Depot for property tax increment revenues generated by the site in any fiscal year, for a maximum of 15 years, and will cease in the year 2006. Reimbursement cannot exceed $1,594,972 over the life of the agreement, and no payment will be made if sales tax revenues to the City do not exceed $150,000 annually. The payment for Fiscal Year 2001-02 was $732,248. The maximum future reimbursement as of June 30, 2002, is $673,656.

In 1996 the Agency entered into a disposition and development agreement with The Mills Limited Partnership for construction of public improvements to The City Drive, and a public parking area lease agreement, related to development of the former "City Shopping Center," located northwest of South City Drive and the SR22 (Garden Grove) Freeway in the Southwest Project Area. The development consisting of an 811,000 square foot open-air retail, dining, and entertainment complex, known as "The Block" at Orange, opened in November 1998. In addition to the initial development, three out-parcels have been independently developed as a result of the project. Semi-annual payments by the Agency are based on net property tax increment revenues generated by the site, payable over a 20-year period. The payment for Fiscal Year 2001-02 was $699,698. Estimated future costs to the Agency are projected to be $15,968,195 over the life of the project.

10) Construction and Other Significant Commitments (continued)

In 1999 the Agency entered into a disposition and development agreement with Southern Counties Oil Company for the acquisition, rehabilitation and construction of buildings and parking improvements of property on Katella Avenue west of Main Street to accommodate expansion of the company's operations within the City. The new site will be used for corporate facilities. Quarterly payments are based on a percentage of sales tax revenue generated for the City by the project and will be paid by the Agency over a period of 10 years. Payments for Fiscal Year 2001-02 were $560,954 with the maximum future reimbursement as of June 30, 2002 of $3,741,018. The Agency will provide an additional $670,000 in assistance if the developer constructs expanded parking facilities on or near the property within the ten-year period of the agreement.

Summary of Estimated Future Commitments

Participant	Estimated Balance July 1, 2001	Additions	Reductions	Estimated Balance June 30, 2002
Experian (TRW)	$ 400,000	-	(200,000)	200,000
K & D Investments	20,000	-	(20,000)	-
Enterprise Rent A Car	354,586	-	-	354,586
VRSJ, LLC	-	326,500	-	326,500
Beard Trust and HLP Family LP	-	286,675	(68,875)	217,800
Villa Ford	630,000	-	-	630,000
Home Depot USA, Inc.	1,405,904	-	(732,248)	673,656
Orange City Mills "The Block"	16,667,893	-	(699,698)	15,968,195
Southern Counties Oil Co.	4,301,971	-	(560,954)	3,741,017
Totals	$23,780,354	613,175	(2,281,775)	22,111,754

11) Unrestricted Net Assets

GASB Statement No. 34 requires that local governments record in the statement of net assets the local government's liability for debt issued to finance the construction of infrastructure and other assets owned by other parties (including the City of Orange). This is an integral part of the normal operation of a redevelopment agency and is necessary in order to produce the redevelopment benefits for which the Agency was established. GASB Statement Nos. 33 and 34 do not, however, permit the recognition of assets for future tax increment revenues that are pledged for the annual retirement of bonded debt issuances. The negative equity resulting from the reporting of the Agency's liability for this debt is required by GASB No. 34 to be reported as unrestricted net assets.

11) Unrestricted Net Assets (continued)

	2002	2001
Long-term debt	$80,702,214	82,703,827
Due in one year	2,001,613	3,407,936
Less: Current assets	(7,242,718)	(7,230,873)
Less: Cash with fiscal agents	(7,003,815)	(7,038,084)
Net assets restricted for debt service	11,281,933	9,706,974
Unrestricted net assets	$79,739,227	81,549,780

12) Accrued Liabilities

Accrued liabilities in the Statement of Net Assets include the following:

	2002	2001
Accrued expenses	$ 84,211	70,443
Accrued interest on long-term debt	1,357,640	1,398,239
Deposits payable	2,358	11,321
Pass through payments to other entities	1,568,383	1,284,324
	$3,012,592	2,764,327

13) Operating Transfers

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget required to expend them. Transfers are also used to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due. A listing of operating transfers between funds for the year ended June 30, 2002 is as follows:

	Transfers In		
Transfers Out	Debt Service Fund (1)	Capital Projects Fund (2)	Totals
Low and Moderate Housing Fund	$1,159,102		1,159,102
Debt Service Fund:			
Agency operational costs		1,289,277	1,289,277
Capital projects costs		1,960,652	1,960,652
Police facility lease costs		837,273	837,273
Totals	$1,159,102	4,087,202	5,246,304

13) Operating Transfers (continued)

Interfund transfers were used to (1) transfer Low and Moderate Housing funds to the Debt Service Fund for 20% of the annual debt service and (2) transfer operational and capital project costs to the Capital Projects Fund.

14) Changes in Accounting Principle

During the fiscal year ended June 30, 2001, the City of Orange Redevelopment Agency implemented GASB Statement Nos. 33 and 34. GASB Statement No. 34 changed the financial reporting model of local governmental units. As a result of GASB Statement No. 34, fund financial statements are required to be presented with a focus on the *major funds* of the local government. Previously, financial reporting for local governments had focused on reporting by *fund type*. The modified accrual basis of accounting and the current financial resources measurement focus are used in the fund financial statements for the governmental funds of the Agency.

GASB Statement No. 34 also requires the presentation of *Government-wide Financial Statements*, which previously were not required. Government-wide Financial Statements are presented using the *economic resources measurement focus* and the *full accrual basis of accounting*. The economic resources measurement focus requires that all (both current and long-term) assets and liabilities of the Agency be reported in the Government-wide Financial Statements.

GASB Statement No. 33 formalized revenue recognition principles for the nonexchange transactions of local governmental units. GASB Statement No. 33 had minimal effects on the financial statements of the Agency, which was already following these principles.

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CITY OF ORANGE REDEVELOPMENT AGENCY

Budgetary Comparison Schedule

Redevelopment Agency Low and Moderate Housing Fund

For the Year ended June 30, 2002

	Special Revenue Fund			
	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive(Negative)
REVENUES:				
Tax increment	$ 2,638,100	2,638,100	2,727,246	89,146
Investment income	258,100	258,100	329,727	71,627
Other revenues	-	-	12,111	12,111
Total revenues	2,896,200	2,896,200	3,069,084	172,884
EXPENDITURES:				
Current:				
General government	102,975	102,975	100,582	2,393
Economic development	493,469	493,469	397,958	95,511
Redevelopment project costs	3,343,841	3,798,410	89,265	3,709,145
Total expenditures	3,940,285	4,394,854	587,805	3,807,049
Excess (deficiency) of revenues over (under) expenditures	(1,044,085)	(1,498,654)	2,481,279	3,979,933
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,159,102)	(1,159,102)	(1,159,102)	-
Total other financing sources (uses)	(1,159,102)	(1,159,102)	(1,159,102)	-
Net change in fund balances	(2,203,187)	(2,657,756)	1,322,177	3,979,933
Fund balances at beginning of year	12,724,438	12,724,438	12,724,438	-
Fund balances at end of year	$ 10,521,251	10,066,682	14,046,615	3,979,933

Budgets and Budgetary Accounting

Fiscal year budgets are prepared in accordance with the statutory requirements of the California Government Code and California Community Redevelopment Law. The annual budget is adopted by July 1 for all funds of the Agency on a basis consistent with generally accepted accounting principles. The budget is monitored to ensure compliance with legal provisions embodied in the appropriated budget as approved or amended by the Redevelopment Agency Board of Directors throughout the year. Agency staff is responsible for monitoring the appropriated budgets for the Special Revenue, Debt Service and Capital Projects Funds. The legal level of budgetary control is at the Agency level. The Board of Directors for the Agency approved supplemental appropriations during the fiscal year in the amount of \$454,569 in the Special Revenue Funds, and \$551,675 in the Capital Projects Funds that are reflected in the accompanying financial statements. No supplemental appropriations were made in the Debt Service Funds.

CITY OF ORANGE REDEVELOPMENT AGENCY

Combining Balance Sheet by Project Area

Special Revenue Fund

June 30, 2002

	Low and Moderate Housing				Totals	
	Tustin Street Project	Southwest Orange Project	Northwest Orange Project	Loan Project	2002	2001
ASSETS:						
Cash and investments	$ 480,073	2,394,644	1,131,485	245,941	4,252,143	3,122,082
Receivables, net:						
Accounts	-	-	-	126	126	126
Interest	3,597	19,669	8,531	12,024	43,821	70,399
Loans receivable	-	-	-	8,174,976	8,174,976	7,480,298
Land held for resale	-	-	-	142,200	142,200	142,200
Restricted assets:						
Cash and investments	-	478,557	-	996,251	1,474,808	2,000,473
Total assets	$ 483,670	2,892,870	1,140,016	9,571,518	14,088,074	12,815,578
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	$ 3,387	3,944	3,388	-	10,719	66,780
Accrued expenses	10,868	9,259	9,255	-	29,382	23,129
Deposits payable	-	1,008	-	350	1,358	1,231
Total liabilities	14,255	14,211	12,643	350	41,459	91,140
Fund Balances:						
Reserved for:						
Encumbrances	4,512	17,789	4,512	-	26,813	4,764
Continuing appropriations	-	1,724,361	-	996,251	2,720,612	3,306,024
Noncurrent portion of loans receivable	-	-	-	8,103,534	8,103,534	7,408,914
Land held for resale	-	-	-	142,200	142,200	142,200
Unreserved, designated for:						
Low and moderate housing	464,903	1,136,509	1,122,861	329,183	3,053,456	1,862,536
Total fund balances	469,415	2,878,659	1,127,373	9,571,168	14,046,615	12,724,438
Total liabilities and fund balances	$ 483,670	2,892,870	1,140,016	9,571,518	14,088,074	12,815,578

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CITY OF ORANGE REDEVELOPMENT AGENCY

Combining Statement of Revenues, Expenditures and

Changes in Fund Balances by Project Area

Special Revenue Fund

For the Year ended June 30, 2002

	Low and Moderate Housing				Totals	
	Tustin Street Project	Southwest Orange Project	Northwest Orange Project	Loan Project	2002	2001
REVENUES:						
Tax increment	$ 425,647	1,264,341	1,037,258	-	2,727,246	1,458,380
Investment income	21,383	126,363	48,551	133,430	329,727	452,993
Other revenues	-	2,000	-	10,111	12,111	30,414
Total revenues	447,030	1,392,704	1,085,809	143,541	3,069,084	1,941,787
EXPENDITURES:						
Current:						
General government	33,514	33,485	33,583	-	100,582	81,626
Economic development	125,414	135,399	131,495	5,650	397,958	326,219
Redevelopment project costs	-	74,807	14,458	-	89,265	81,908
Total expenditures	158,928	243,691	179,536	5,650	587,805	489,753
Excess (deficiency) of revenues over (under) expenditures	288,102	1,149,013	906,273	137,891	2,481,279	1,452,034
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	2,120,120
Transfers out	(158,958)	(605,056)	(395,088)	-	(1,159,102)	(2,158,716)
Total other financing sources (uses)	(158,958)	(605,056)	(395,088)	-	(1,159,102)	(38,596)
Net change in fund balances	129,144	543,957	511,185	137,891	1,322,177	1,413,438
Fund balances at beginning of year	340,271	2,334,702	616,188	9,433,277	12,724,438	11,311,000
Fund balances at end of year	$ 469,415	2,878,659	1,127,373	9,571,168	14,046,615	12,724,438

CITY OF ORANGE REDEVELOPMENT AGENCY

Budgetary Comparison Schedule

Low and Moderate Housing Tustin Street Project

For the Year ended June 30, 2002

	2002				2001
	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive(Negative)	Actual
REVENUES:					
Tax increment	$ 380,000	380,000	425,647	45,647	379,35
Investment income	24,300	24,300	21,383	(2,917)	27,39
Other revenues	-	-	-	-	58
Total revenues	404,300	404,300	447,030	42,730	407,33
EXPENDITURES:					
Current:					
General government	34,394	34,394	33,514	880	27,12
Economic development	155,761	155,761	125,414	30,347	102,82
Redevelopment project costs	-	-	-	-	-
Total expenditures	190,155	190,155	158,928	31,227	129,94
Excess (deficiency) of revenues over (under) expenditures	214,145	214,145	288,102	73,957	277,39
OTHER FINANCING SOURCES (USES):					
Transfers out	(158,958)	(158,958)	(158,958)	-	(159,27
Total other financing sources (uses)	(158,958)	(158,958)	(158,958)	-	(159,27
Net change in fund balances	55,187	55,187	129,144	73,957	118,124
Fund balances at beginning of year	340,271	340,271	340,271	-	222,147
Fund balances at end of year	$ 395,458	395,458	469,415	73,957	340,271

CITY OF ORANGE REDEVELOPMENT AGENCY

Budgetary Comparison Schedule

Low and Moderate Housing Southwest Orange Project

For the Year ended June 30, 2002

	2002				2001
	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive(Negative)	Actual
REVENUES:					
Tax increment	$ 1,209,500	1,209,500	1,264,341	54,841	48,991
Investment income	49,800	49,800	126,363	76,563	181,079
Other revenues	-	-	2,000	2,000	507
Total revenues	1,259,300	1,259,300	1,392,704	133,404	230,577
EXPENDITURES:					
Current:					
General government	34,266	34,266	33,485	781	27,236
Economic development	164,581	164,581	135,399	29,182	111,723
Redevelopment project costs	1,951,418	2,405,987	74,807	2,331,180	64,517
Total expenditures	2,150,265	2,604,834	243,691	2,361,143	203,476
Excess (deficiency) of revenues over (under) expenditures	(890,965)	(1,345,534)	1,149,013	2,494,547	27,101
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	1,120,120
Transfers out	(605,056)	(605,056)	(605,056)	-	(1,004,248)
Total other financing sources (uses)	(605,056)	(605,056)	(605,056)	-	115,872
Net change in fund balances	(1,496,021)	(1,950,590)	543,957	2,494,547	142,973
Fund balances at beginning of year	2,334,702	2,334,702	2,334,702	-	2,191,729
Fund balances at end of year	$ 838,681	384,112	2,878,659	2,494,547	2,334,702

CITY OF ORANGE REDEVELOPMENT AGENCY

Budgetary Comparison Schedule

Low and Moderate Housing Northwest Orange Project

For the Year ended June 30, 2002

	2002				2001
	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive(Negative)	Actual
REVENUES:					
Tax increment	$ 1,048,600	1,048,600	1,037,258	(11,342)	1,030,030
Investment income	64,000	64,000	48,551	(15,449)	68,440
Other revenues	-	-	-	-	480
Total revenues	1,112,600	1,112,600	1,085,809	(26,791)	1,098,950
EXPENDITURES:					
Current:					
General government	34,315	34,315	33,583	732	27,267
Economic development	162,677	162,677	131,495	31,182	109,134
Redevelopment project costs	25,000	25,000	14,458	10,542	17,391
Total expenditures	221,992	221,992	179,536	42,456	153,792
Excess (deficiency) of revenues over (under) expenditures	890,608	890,608	906,273	15,665	945,158
OTHER FINANCING SOURCES (USES):					
Transfers out	(395,088)	(395,088)	(395,088)	-	(995,198
Total other financing sources (uses)	(395,088)	(395,088)	(395,088)	-	(995,198
Net change in fund balances	495,520	495,520	511,185	15,665	(50,040
Fund balances at beginning of year	616,188	616,188	616,188	-	666,228
Fund balances at end of year	$ 1,111,708	1,111,708	1,127,373	15,665	616,188

CITY OF ORANGE REDEVELOPMENT AGENCY

Budgetary Comparison Schedule

Low and Moderate Housing Loan Project

For the Year ended June 30, 2002

	2002				2001
	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive(Negative)	Actual
REVENUES:					
Investment income	$ 120,000	120,000	133,430	13,430	176,083
Other revenues	-	-	10,111	10,111	28,840
Total revenues	120,000	120,000	143,541	23,541	204,923
EXPENDITURES:					
Current:					
Economic development	10,450	10,450	5,650	4,800	2,542
Redevelopment project costs	1,367,423	1,367,423	-	1,367,423	-
Total expenditures	1,377,873	1,377,873	5,650	1,372,223	2,542
Excess (deficiency) of revenues over (under) expenditures	(1,257,873)	(1,257,873)	137,891	1,395,764	202,381
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	1,000,000
Total other financing sources (uses)	-	-	-	-	1,000,000
Net change in fund balances	(1,257,873)	(1,257,873)	137,891	1,395,764	1,202,381
Fund balances at beginning of year	9,433,277	9,433,277	9,433,277	-	8,230,896
Fund balances at end of year	$ 8,175,404	8,175,404	9,571,168	1,395,764	9,433,277

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CITY OF ORANGE REDEVELOPMENT AGENCY

Combining Balance Sheet – All Debt Service Funds

June 30, 2002

	Tustin Street Project	Southwest Orange Project	Northwest Orange Project	Totals	
				2002	2001
ASSETS:					
Cash and investments	$ 2,093,011	3,897,661	3,424,454	9,415,126	9,289,808
Receivables, net:					
Taxes	36,727	77,377	76,534	190,638	64,263
Interest	19,231	39,074	31,913	90,218	156,360
Restricted Assets:					
Cash and investments with fiscal agents	836,626	3,407,925	2,759,264	7,003,815	7,038,084
Total assets	$ 2,985,595	7,422,037	6,292,165	16,699,797	16,548,515
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Due to other agencies	$ 205,946	674,052	688,385	1,568,383	1,284,324
Total liabilities	205,946	674,052	688,385	1,568,383	1,284,324
Fund balances:					
Reserved for debt service	2,779,649	6,747,985	5,603,780	15,131,414	15,264,191
Total fund balances	2,779,649	6,747,985	5,603,780	15,131,414	15,264,191
Total liabilities and fund balances	$ 2,985,595	7,422,037	6,292,165	16,699,797	16,548,515

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CITY OF ORANGE REDEVELOPMENT AGENCY

Combining Statement of Revenues, Expenditures and

Changes in Fund Balances – All Debt Service Funds

June 30, 2002

	Tustin Street Project	Southwest Orange Project	Northwest Orange Project	Totals 2002	Totals 2001
REVENUES:					
Tax increment	$ 1,702,586	5,057,364	4,149,033	10,908,983	11,434,121
Investment income	101,836	239,312	201,012	542,160	924,483
Total revenues	1,804,422	5,296,676	4,350,045	11,451,143	12,358,604
EXPENDITURES:					
Current:					
Economic development	15,579	48,577	37,341	101,497	94,087
Tax increment shift:					
Pass-through payments	349,269	1,024,321	1,385,226	2,758,816	2,527,304
Debt service:					
Principal	140,000	670,000	485,000	1,295,000	1,210,000
Interest	654,789	2,355,280	1,490,438	4,500,507	4,583,575
Total expenditures	1,159,637	4,098,178	3,398,005	8,655,820	8,414,966
Excess (deficiency) of revenues over (under) expenditures	644,785	1,198,498	952,040	2,795,323	3,943,638
OTHER FINANCING SOURCES (USES):					
Transfers in	158,958	605,056	395,088	1,159,102	1,158,716
Transfers out	(661,805)	(2,146,405)	(1,278,992)	(4,087,202)	(4,648,152)
Total other financing sources (uses)	(502,847)	(1,541,349)	(883,904)	(2,928,100)	(3,489,436)
Net change in fund balances	141,938	(342,851)	68,136	(132,777)	454,202
Fund balances at beginning of year	2,637,711	7,090,836	5,535,644	15,264,191	14,809,989
Fund balances at end of year	$ 2,779,649	6,747,985	5,603,780	15,131,414	15,264,191

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CITY OF ORANGE REDEVELOPMENT AGENCY

Budgetary Comparison Schedule

Tustin Street Project Debt Service Fund

For the Year ended June 30, 2002

	2002				2001
	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive(Negative)	Actual
REVENUES:					
Tax increment	$ 1,520,000	1,520,000	1,702,586	182,586	1,517,437
Investment income	78,100	78,100	101,836	23,736	161,843
Total revenues	1,598,100	1,598,100	1,804,422	206,322	1,679,280
EXPENDITURES:					
Current:					
Economic development	20,800	20,800	15,579	5,221	13,428
Tax increment shift:					
Pass-through payments	330,000	330,000	349,269	(19,269)	306,299
Debt service:					
Principal	140,000	140,000	140,000	-	135,000
Interest	654,789	654,789	654,789	-	661,349
Total expenditures	1,145,589	1,145,589	1,159,637	(14,048)	1,116,076
Excess (deficiency) of revenues over (under) expenditures	452,511	452,511	644,785	192,274	563,204
OTHER FINANCING SOURCES (USES):					
Transfers in	158,958	158,958	158,958	-	159,270
Transfers out	(671,801)	(671,801)	(661,805)	9,996	(972,057)
Total other financing sources (uses)	(512,843)	(512,843)	(502,847)	9,996	(812,787)
Net change in fund balances	(60,332)	(60,332)	141,938	202,270	(249,583)
Fund balances at beginning of year	2,637,711	2,637,711	2,637,711	-	2,887,294
Fund balances at end of year	$ 2,577,379	2,577,379	2,779,649	202,270	2,637,711

CITY OF ORANGE REDEVELOPMENT AGENCY

Budgetary Comparison Schedule

Southwest Orange Project Debt Service Fund

For the Year ended June 30, 2002

	2002				2001
	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive(Negative)	Actual
REVENUES:					
Tax increment	$ 4,838,000	4,838,000	5,057,364	219,364	5,796,5
Investment income	193,900	193,900	239,312	45,412	391,3
Total revenues	5,031,900	5,031,900	5,296,676	264,776	6,187,9
EXPENDITURES:					
Current:					
Economic development	48,000	48,000	48,577	(577)	43,2
Tax increment shift:					
Pass-through payments	990,000	990,000	1,024,321	(34,321)	847,0
Debt service:					
Principal	670,000	670,000	670,000	-	620,0
Interest	2,355,280	2,355,280	2,355,280	-	2,401,2
Total expenditures	4,063,280	4,063,280	4,098,178	(34,898)	3,911,5
Excess (deficiency) of revenues over (under) expenditures	968,620	968,620	1,198,498	229,878	2,276,3
OTHER FINANCING SOURCES (USES):					
Transfers in	605,056	605,056	605,056	-	604,2
Transfers out	(1,679,241)	(2,179,241)	(2,146,405)	32,836	(2,240,3
Total other financing sources (uses)	(1,074,185)	(1,574,185)	(1,541,349)	32,836	(1,636,1
Net change in fund balances	(105,565)	(605,565)	(342,851)	262,714	640,2
Fund balances at beginning of year	7,090,836	7,090,836	7,090,836	-	6,450,5
Fund balances at end of year	$ 6,985,271	6,485,271	6,747,985	262,714	7,090,8

CITY OF ORANGE REDEVELOPMENT AGENCY

Budgetary Comparison Schedule

Northwest Orange Project Debt Service Fund

For the Year ended June 30, 2002

	2002				2001
	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive(Negative)	Actual
REVENUES:					
Tax increment	$ 4,194,400	4,194,400	4,149,033	(45,367)	4,120,120
Investment income	179,300	179,300	201,012	21,712	371,282
Total revenues	4,373,700	4,373,700	4,350,045	(23,655)	4,491,402
EXPENDITURES:					
Current:					
Economic development	42,000	42,000	37,341	4,659	37,368
Tax increment shift:					
Pass-through payments	1,500,000	1,500,000	1,385,226	114,774	1,373,989
Debt service:					
Principal	485,000	485,000	485,000	-	455,000
Interest	1,490,438	1,490,438	1,490,438	-	1,520,988
Total expenditures	3,517,438	3,517,438	3,398,005	119,433	3,387,345
Excess (deficiency) of revenues over (under) expenditures	856,262	856,262	952,040	95,778	1,104,057
OTHER FINANCING SOURCES (USES):					
Transfers in	395,088	395,088	395,088	-	395,198
Transfers out	(1,728,559)	(1,728,559)	(1,278,992)	449,567	(1,435,741)
Total other financing sources (uses)	(1,333,471)	(1,333,471)	(883,904)	449,567	(1,040,543)
Net change in fund balances	(477,209)	(477,209)	68,136	545,345	63,514
Fund balances at beginning of year	5,535,644	5,535,644	5,535,644	-	5,472,130
Fund balances at end of year	$ 5,058,435	5,058,435	5,603,780	545,345	5,535,644

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CITY OF ORANGE REDEVELOPMENT AGENCY

Combining Balance Sheet – All Capital Projects Funds

June 30, 2002

	Tustin Street Project	Southwest Orange Project	Northwest Orange Project	Totals 2002	Totals 2001
ASSETS:					
Cash and investments	$ 3,978,138	3,464,732	8,503,263	15,946,133	19,037,710
Receivables, net:					
Accounts	-	565	23,750	24,315	28,539
Interest	34,777	25,762	79,762	140,301	282,745
Prepaid expense	-	475	-	475	-
Loans receivable	954,858	703,047	57,500	1,715,405	1,803,363
Land held for resale	-	-	-	-	1,068,660
Restricted Assets:	-	-	-	-	
Cash and investments	40,000	350,000	-	390,000	-
Total assets	$ 5,007,773	4,544,581	8,664,275	18,216,629	22,221,017
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	$ 9,852	498,430	6,677	514,959	515,441
Accrued expenses	19,176	20,491	15,162	54,829	47,314
Deposits payable	-	1,000	-	1,000	10,090
Total liabilities	29,028	519,921	21,839	570,788	572,845
Fund balances:					
Reserved for:					
Encumbrances	15,490	336,641	21,258	373,389	954,280
Continuing appropriations	429,299	1,254,047	999,265	2,682,611	3,510,040
Noncurrent portion of loans receivable	915,216	682,877	42,500	1,640,593	1,729,178
Land held for resale	-	-	-	-	1,068,660
Unreserved, designated for:					
Capital projects	3,618,740	1,751,095	7,579,413	12,949,248	14,386,014
Total fund balances	4,978,745	4,024,660	8,642,436	17,645,841	21,648,172
Total liabilities and fund balances	$ 5,007,773	4,544,581	8,664,275	18,216,629	22,221,017

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CITY OF ORANGE REDEVELOPMENT AGENCY

Combining Statement of Revenues, Expenditures and

Changes in Fund Balances – All Capital Projects Funds

For the Year ended June 30, 2002

	Tustin Street Project	Southwest Orange Project	Northwest Orange Project	Totals 2002	Totals 2001
REVENUES:					
Investment income	$ 237,336	192,268	428,479	858,083	1,224,241
Other revenues	300	1,310	1,330	2,940	1,389
Total revenues	237,636	193,578	429,809	861,023	1,225,630
EXPENDITURES:					
Current:					
General government	59,109	59,120	59,128	177,357	151,323
Economic development	432,001	633,088	410,494	1,475,583	1,351,913
Redevelopment project costs	371,198	2,447,862	2,040,216	4,859,276	2,853,823
Debt service:					
Principal	-	1,542,936	-	1,542,936	14,164
Interest	14,125	29,385	14,620	58,130	172,259
Police COP lease payment	251,182	293,046	293,046	837,274	838,646
Total expenditures	1,127,615	5,005,437	2,817,504	8,950,556	5,382,128
Excess (deficiency) of revenues over (under) expenditures	(889,979)	(4,811,859)	(2,387,695)	(8,089,533)	(4,156,498)
OTHER FINANCING SOURCES (USES):					
Transfers in	661,805	2,146,405	1,278,992	4,087,202	3,528,032
Total other financing sources (uses)	661,805	2,146,405	1,278,992	4,087,202	3,528,032
Net change in fund balances	(228,174)	(2,665,454)	(1,108,703)	(4,002,331)	(628,466)
Fund balances at beginning of year	5,206,919	6,690,114	9,751,139	21,648,172	22,276,638
Fund balances at end of year	$ 4,978,745	4,024,660	8,642,436	17,645,841	21,648,172

CITY OF ORANGE REDEVELOPMENT AGENCY

Budgetary Comparison Schedule

Tustin Street Project Capital Projects Fund

For the Year ended June 30, 2002

	2002				2001
	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive(Negative)	Actual
REVENUES:					
Investment income	$ 257,000	257,000	237,336	(19,664)	308,430
Other revenues	-	-	300	300	1,005
Total revenues	257,000	257,000	237,636	(19,364)	309,435
EXPENDITURES:					
Current:					
General government	60,256	60,256	59,109	1,147	50,296
Economic development	665,737	665,737	432,001	233,736	368,925
Redevelopment project costs	631,898	918,573	371,198	547,375	274,023
Debt service:					
Interest	24,000	24,000	14,125	9,875	20,880
Police COP lease payment	251,303	251,303	251,182	121	419,323
Total expenditures	1,633,194	1,919,869	1,127,615	792,254	1,133,447
Excess (deficiency) of revenues over (under) expenditures	(1,376,194)	(1,662,869)	(889,979)	772,890	(824,012)
OTHER FINANCING SOURCES (USES):					
Transfers in	671,801	671,801	661,805	(9,996)	411,997
Total other financing sources (uses)	671,801	671,801	661,805	(9,996)	411,997
Net change in fund balances	(704,393)	(991,068)	(228,174)	762,894	(412,015)
Fund balances at beginning of year	5,206,919	5,206,919	5,206,919	-	5,618,934
Fund balances at end of year	$ 4,502,526	4,215,851	4,978,745	762,894	5,206,919

CITY OF ORANGE REDEVELOPMENT AGENCY

Budgetary Comparison Schedule

Southwest Orange Project Capital Projects Fund

For the Year ended June 30, 2002

	2002				2001
	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive(Negative)	Actual
REVENUES:					
Investment income	$ 218,300	218,300	192,268	(26,032)	348,848
Other revenues	-	-	1,310	1,310	197
Total revenues	218,300	218,300	193,578	(24,722)	349,045
EXPENDITURES:					
Current:					
General government	60,274	60,274	59,120	1,154	50,692
Economic development	994,548	994,548	633,088	361,460	598,925
Redevelopment project costs	2,757,975	4,306,585	2,447,862	1,858,723	1,610,549
Debt service:					
Principal	1,542,936	1,542,936	1,542,936	-	14,164
Interest	41,780	41,780	29,385	12,395	129,824
Police COP lease payment	293,186	293,186	293,046	140	419,323
Total expenditures	5,690,699	7,239,309	5,005,437	2,233,872	2,823,477
Excess (deficiency) of revenues over (under) expenditures	(5,472,399)	(7,021,009)	(4,811,859)	2,209,150	(2,474,432)
OTHER FINANCING SOURCES (USES):					
Transfers in	1,679,241	2,179,241	2,146,405	(32,836)	2,240,354
Total other financing sources (uses)	1,679,241	2,179,241	2,146,405	(32,836)	2,240,354
Net change in fund balances	(3,793,158)	(4,841,768)	(2,665,454)	2,176,314	(234,078)
Fund balances at beginning of year	6,690,114	6,690,114	6,690,114	-	6,924,192
Fund balances at end of year	$ 2,896,956	1,848,346	4,024,660	2,176,314	6,690,114

CITY OF ORANGE REDEVELOPMENT AGENCY

Budgetary Comparison Schedule

Northwest Orange Project Capital Projects Fund

For the Year ended June 30, 2002

	2002				2001
	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive(Negative)	Actual
REVENUES:					
Investment income	$ 373,500	373,500	428,479	54,979	566,963
Other revenues	-	-	1,330	1,330	187
Total revenues	373,500	373,500	429,809	56,309	567,150
EXPENDITURES:					
Current:					
General government	60,292	60,292	59,128	1,164	50,335
Economic development	570,567	570,567	410,494	160,073	384,063
Redevelopment project costs	3,806,622	3,806,622	2,040,216	1,766,406	969,251
Debt service:					
Interest	25,000	25,000	14,620	10,380	21,555
Police COP lease payment	293,186	293,186	293,046	140	-
Total expenditures	4,755,667	4,755,667	2,817,504	1,938,163	1,425,204
Excess (deficiency) of revenues over (under) expenditures	(4,382,167)	(4,382,167)	(2,387,695)	1,994,472	(858,054)
OTHER FINANCING SOURCES (USES):					
Transfers in	1,728,559	1,728,559	1,278,992	(449,567)	875,681
Total other financing sources (uses)	1,728,559	1,728,559	1,278,992	(449,567)	875,681
Net change in fund balances	(2,653,608)	(2,653,608)	(1,108,703)	1,544,905	17,627
Fund balances at beginning of year	9,751,139	9,751,139	9,751,139	-	9,733,512
Fund balances at end of year	$ 7,097,531	7,097,531	8,642,436	1,544,905	9,751,139

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CITY OF ORANGE REDEVELOPMENT AGENCY

Combining Balance Sheet – All Projects

June 30, 2002

	Tustin Street Project			
	Low and Moderate Housing Special Revenue	Debt Service	Capital Projects	Project Area Total
ASSETS:				
Cash and investments	$ 480,073	2,093,011	3,978,138	6,551,222
Receivables, net:				
Taxes	-	36,727	-	36,727
Accounts	-	-	-	-
Interest	3,597	19,231	34,777	57,605
Prepaid expense	-	-	-	-
Loans receivable	-	-	954,858	954,858
Restricted assets:				
Cash and investments	-	-	40,000	40,000
Cash and investments with fiscal agents	-	836,626	-	836,626
Total assets	$ 483,670	2,985,595	5,007,773	8,477,038
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 3,387	-	9,852	13,239
Accrued expenses	10,868	-	19,176	30,044
Deposits payable	-	-	-	-
Due to other agencies	-	205,946	-	205,946
Total liabilities	14,255	205,946	29,028	249,229
Fund balances:				
Reserved for:				
Encumbrances	4,512	-	15,490	20,002
Continuing appropriations	-	-	429,299	429,299
Noncurrent portion of loans receivable	-	-	915,216	915,216
Debt service	-	2,779,649	-	2,779,649
Unreserved, designated for:				
Low and moderate housing	464,903	-	-	464,903
Capital projects	-	-	3,618,740	3,618,740
Total fund balances	469,415	2,779,649	4,978,745	8,227,809
Total liabilities and fund balances	$ 483,670	2,985,595	5,007,773	8,477,038

Southwest Orange Project			
Low and Moderate Housing Special Revenue	Debt Service	Capital Projects	Project Area Total
2,394,644	3,897,661	3,464,732	9,757,037
-	77,377	-	77,377
-	-	565	565
19,669	39,074	25,762	84,505
-	-	475	475
-	-	703,047	703,047
478,557	-	350,000	828,557
-	3,407,925	-	3,407,925
2,892,870	7,422,037	4,544,581	14,859,488
3,944	-	498,430	502,374
9,259	-	20,491	29,750
1,008	-	1,000	2,008
-	674,052	-	674,052
14,211	674,052	519,921	1,208,184
17,789	-	336,641	354,430
1,724,361	-	1,254,047	2,978,408
-	-	682,877	682,877
-	6,747,985	-	6,747,985
1,136,509	-	-	1,136,509
-	-	1,751,095	1,751,095
2,878,659	6,747,985	4,024,660	13,651,304
2,892,870	7,422,037	4,544,581	14,859,488

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CITY OF ORANGE REDEVELOPMENT AGENCY

Combining Balance Sheet – All Projects (continued)

June 30, 2002

	Northwest Orange Project			
	Low and Moderate Housing Special Revenue	Debt Service	Capital Projects	Project Area Total
ASSETS:				
Cash and investments	$ 1,131,485	3,424,454	8,503,263	13,059,202
Receivables, net:				
Taxes	-	76,534	-	76,534
Accounts	-	-	23,750	23,750
Interest	8,531	31,913	79,762	120,206
Prepaid expense	-	-	-	-
Loans receivable	-	-	57,500	57,500
Land held for resale	-	-	-	-
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	2,759,264	-	2,759,264
Total assets	$ 1,140,016	6,292,165	8,664,275	16,096,456
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 3,388	-	6,677	10,065
Accrued expenses	9,255	-	15,162	24,417
Deposits payable	-	-	-	-
Due to other agencies	-	688,385	-	688,385
Total liabilities	12,643	688,385	21,839	722,867
Fund balances:				
Reserved for:				
Encumbrances	4,512	-	21,258	25,770
Continuing appropriations	-	-	999,265	999,265
Noncurrent portion of loans receivable	-	-	42,500	42,500
Land held for resale	-	-	-	-
Debt service	-	5,603,780	-	5,603,780
Unreserved, designated for:				
Low and moderate housing	1,122,861	-	-	1,122,861
Capital projects	-	-	7,579,413	7,579,413
Total fund balances	1,127,373	5,603,780	8,642,436	15,373,589
Total liabilities and fund balances	$ 1,140,016	6,292,165	8,664,275	16,096,456

Low and Moderate Housing Loan Project Special Revenue	Totals		
	Special Revenue	Debt Service	Capital Projects
245,941	4,252,143	9,415,126	15,946,133
-	-	190,638	-
126	126	-	24,315
12,024	43,821	90,218	140,301
-	-	-	475
8,174,976	8,174,976	-	1,715,405
142,200	142,200	-	-
996,251	1,474,808	-	390,000
-	-	7,003,815	-
9,571,518	14,088,074	16,699,797	18,216,629
-	10,719	-	514,959
-	29,382	-	54,829
350	1,358	-	1,000
-	-	1,568,383	-
350	41,459	1,568,383	570,788
-	26,813	-	373,389
996,251	2,720,612	-	2,682,611
8,103,534	8,103,534	-	1,640,593
142,200	142,200	-	-
-	-	15,131,414	-
329,183	3,053,456	-	-
-	-	-	12,949,248
9,571,168	14,046,615	15,131,414	17,645,841
9,571,518	14,088,074	16,699,797	18,216,629

CITY OF ORANGE REDEVELOPMENT AGENCY

Combining Statement of Revenues, Expenditures and

Changes in Fund Balances – All Projects

For the Year ended June 30, 2002

	Tustin Street Project			
	Low and Moderate Housing Special Revenue	Debt Service	Capital Projects	Project Area Total
REVENUES:				
Tax increment	$ 425,647	1,702,586	-	2,128,233
Investment income	21,383	101,836	237,336	360,555
Other revenues	-	-	300	300
Total revenues	447,030	1,804,422	237,636	2,489,088
EXPENDITURES:				
Current:				
General government	33,514	-	59,109	92,623
Economic development	125,414	15,579	432,001	572,994
Tax increment shift:				
Pass-through payments	-	349,269	-	349,269
Redevelopment project costs	-	-	371,198	371,198
Debt service:				
Principal	-	140,000	-	140,000
Interest	-	654,789	14,125	668,914
Police COP lease payment	-	-	251,182	251,182
Total expenditures	158,928	1,159,637	1,127,615	2,446,180
Excess (deficiency) of revenues over (under) expenditures	288,102	644,785	(889,979)	42,908
OTHER FINANCING SOURCES (USES):				
Transfers in	-	158,958	661,805	820,763
Transfers out	(158,958)	(661,805)	-	(820,763)
Total other financing sources (uses)	(158,958)	(502,847)	661,805	-
Net change in fund balances	129,144	141,938	(228,174)	42,908
Fund balances at beginning of year	340,271	2,637,711	5,206,919	8,184,901
Fund balances at end of year	$ 469,415	2,779,649	4,978,745	8,227,809

Southwest Orange Project			
Low and Moderate Housing Special Revenue	Debt Service	Capital Projects	Project Area Total
1,264,341	5,057,364	-	6,321,705
126,363	239,312	192,268	557,943
2,000	-	1,310	3,310
1,392,704	5,296,676	193,578	6,882,958
33,485	-	59,120	92,605
135,399	48,577	633,088	817,064
-	1,024,321	-	1,024,321
74,807	-	2,447,862	2,522,669
-	670,000	1,542,936	2,212,936
-	2,355,280	29,385	2,384,665
-	-	293,046	293,046
243,691	4,098,178	5,005,437	9,347,306
1,149,013	1,198,498	(4,811,859)	(2,464,348)
-	605,056	2,146,405	2,751,461
(605,056)	(2,146,405)	-	(2,751,461)
(605,056)	(1,541,349)	2,146,405	-
543,957	(342,851)	(2,665,454)	(2,464,348)
2,334,702	7,090,836	6,690,114	16,115,652
2,878,659	6,747,985	4,024,660	13,651,304

(Continued)

CITY OF ORANGE REDEVELOPMENT AGENCY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Projects (continued)

For the Year ended June 30, 2002

	Northwest Orange Project			
	Low and Moderate Housing Special Revenue	Debt Service	Capital Projects	Project Area Total
REVENUES:				
Tax increment	$ 1,037,258	4,149,033	-	5,186,291
Investment income	48,551	201,012	428,479	678,042
Other revenues	-	-	1,330	1,330
Total revenues	1,085,809	4,350,045	429,809	5,865,663
EXPENDITURES:				
Current:				
General government	33,583	-	59,128	92,711
Economic development	131,495	37,341	410,494	579,330
Tax increment shift:				
Pass-through payments	-	1,385,226	-	1,385,226
Redevelopment project costs	14,458	-	2,040,216	2,054,674
Debt service:				
Principal	-	485,000	-	485,000
Interest	-	1,490,438	14,620	1,505,058
Police COP lease payment	-	-	293,046	293,046
Total expenditures	179,536	3,398,005	2,817,504	6,395,045
Excess (deficiency) of revenues over (under) expenditures	906,273	952,040	(2,387,695)	(529,382)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	395,088	1,278,992	1,674,080
Transfers out	(395,088)	(1,278,992)	-	(1,674,080)
Total other financing sources (uses)	(395,088)	(883,904)	1,278,992	-
Net change in fund balances	511,185	68,136	(1,108,703)	(529,382)
Fund balances at beginning of year	616,188	5,535,644	9,751,139	15,902,971
Fund balances at end of year	$ 1,127,373	5,603,780	8,642,436	15,373,589

Low and Moderate Housing Loan Project Special Revenue	Totals Special Revenue	Debt Service	Capital Projects
-	2,727,246	10,908,983	-
133,430	329,727	542,160	858,083
10,111	12,111	-	2,940
143,541	3,069,084	11,451,143	861,023
-	100,582	-	177,357
5,650	397,958	101,497	1,475,583
-	-	2,758,816	-
-	89,265	-	4,859,276
-	-	1,295,000	1,542,936
-	-	4,500,507	58,130
-	-	-	837,274
5,650	587,805	8,655,820	8,950,556
137,891	2,481,279	2,795,323	(8,089,533)
-	-	1,159,102	4,087,202
-	(1,159,102)	(4,087,202)	-
-	(1,159,102)	(2,928,100)	4,087,202
137,891	1,322,177	(132,777)	(4,002,331)
9,433,277	12,724,438	15,264,191	21,648,172
9,571,168	14,046,615	15,131,414	17,645,841

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CONRAD AND ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
City of Orange Redevelopment Agency
Orange, California

Report on Compliance and On Internal Control Over Financial Reporting Based On an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

We have audited the financial statements of the City of Orange Redevelopment Agency (the Agency) as of and for the year ended June 30, 2002 and have issued our report thereon dated October 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the Agency are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Conrad and Associates, L.L.P.

October 1, 2002

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CITY OF ORANGE REDEVELOPMENT AGENCY

General Revenue by Source

Last Ten Fiscal Years

Fiscal Year	Taxes	Use of Money and Property	Proceeds from Long-Term Debt Issue		Other		Total
1992-93	$ 10,504,048	3,184,751	7,118,337	(1)	18,162		20,825,297
1993-94	9,453,691	3,255,842	10,179,383	(1)	49,073		22,937,988
1994-95	8,165,515	2,982,180	-		2,386		11,150,081
1995-96	6,761,697	2,695,491	-		274,061	(2)	9,731,249
1996-97	6,020,538	2,561,176	835,562	(1)	961,237	(3)	10,378,512
1997-98	7,264,579	2,241,015	-		75,997		9,581,591
1998-99	7,951,025	2,035,804	-		579,236	(2)	10,566,065
1999-00	12,723,089	2,307,631	-		2,670,473	(2)	17,701,193
2000-01	12,892,501	2,601,717	-		31,803		15,526,021
2001-02	13,636,229	1,729,970	-		15,051		15,381,250

1) Net of payment to escrow to refund bonds.
2) Includes repayment by the County of Orange bankruptcy settlement which cummulatively totals $3,369,418 over a 5 year period.
3) Includes repayment by the County of Orange for overpayment of pass-through payments paid to the County in prior years due to a rate adjustment (ERAF).

Note: Includes all governmental fund revenue and other financing sources (excluding operating transfers).

Source: Orange Redevelopment Agency Annual Financial Reports

General Governmental Expenditures by Function

Last Ten Fiscal Years

Fiscal Year	Capital Outlay	Pass Through Expense		Current Operations		Debt Service		Total
1992-93	$ 3,115,292	3,794,365	(1)	4,074,449		9,991,255	(3)	20,975,361
1993-94	2,436,596	2,486,006	(1)	3,015,022		7,968,200	(3)	15,905,824
1994-95	2,885,460	2,172,343	(1)	2,880,645	(2)	6,869,653		14,808,099
1995-96	11,254,093	1,344,379		1,458,780		7,089,972		21,147,224
1996-97	2,248,403	1,137,149		1,260,027		9,696,086	(3)	14,341,665
1997-98	5,723,969	1,453,727		1,286,393		7,980,523		16,444,612
1998-99	2,709,540	1,524,546		1,394,478		6,463,445		12,092,009
1999-00	1,181,004	2,107,203		1,895,362		6,797,052		11,980,621
2000-01	2,935,731	2,527,304		2,005,168		6,818,644		14,286,847
2001-02	4,948,541	2,758,816		2,252,975		8,233,849	(4)	18,194,181

1) Includes State mandated payments to the Educational Revenue Augmentation Fund (ERAF)
2) Does not include Loss on investment of $3,016,713 recovered in future years.
3) Includes Payments to Escrow for refunding of Bond issues.
4) Includes repayment of City loan of $1,527,597.

Note: Includes all governmental fund expenditures.
Source: Orange Redevelopment Agency Annual Financial Reports

CITY OF ORANGE REDEVELOPMENT AGENCY

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Current Supplemental Tax Collections	Percent of Current/ Supplemental Taxes Collected	Delinquent Tax Collections	Refunds of Prior Year Collections and Appeals	Total Tax Collections
1992-93	$10,981,929	10,340,795	326,627	97.14%	244,120	(394,314)	10,517,229
1993-94	10,509,358	10,184,089	120,227	98.05%	384,417	(1,254,154)	9,434,579
1994-95	8,665,231	8,514,229	(111,616)	96.97%	54,003	(551,402)	7,905,213
1995-96	7,540,700	7,482,010	(115,576)	97.69%	644,531	(1,249,267)	6,761,698
1996-97	7,036,140	6,855,712	39,424	98.00%	227,032	(1,101,629)	6,020,539
1997-98	7,846,715	7,365,615	212,240	96.57%	214,452	(527,728)	7,264,579
1998-99	8,142,347	7,601,219	365,895	97.85%	205,016	(221,103)	7,951,026
1999-00	12,834,305	11,112,959	1,511,374	98.36%	184,416	(132,705)	12,676,044
2000-01	13,319,718	12,458,686	626,532	98.24%	90,043	(282,759)	12,892,502
2001-02	13,669,784	12,884,080	630,759	98.87%	220,915	(99,525)	13,636,229

Source: Orange County Auditor-Controller records

Property Tax Delinquencies and Ratios

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxs to Total Tax Levy
1992-93	$ 10,981,929	10,517,229	95.77%	314,506	2.86%
1993-94	10,509,358	9,434,579	89.77%	205,042	1.95%
1994-95	8,665,231	7,905,213	91.23%	262,619	3.03%
1995-96	7,540,700	6,761,698	89.67%	174,266	2.31%
1996-97	7,036,140	6,020,539	85.57%	141,004	2.00%
1997-98	7,846,715	7,264,579	92.58%	268,861	3.43%
1998-99	8,142,347	7,951,026	97.65%	175,234	2.15%
1999-00	12,834,305	12,676,044	98.77%	209,972	1.64%
2000-01	13,319,718	12,892,502	96.79%	234,500	1.76%
2001-02	13,669,784	13,636,229	99.75%	154,944	1.13%

Source: Orange County Auditor-Controller records

CITY OF ORANGE REDEVELOPMENT AGENCY

Property Taxes Received from the Tustin Street Project Area

Project Area Inception to Date

Fiscal Year	Property Tax Receipts: Tustin 1983	Tustin 1988	Total Receipts	% Increase/ (Decrease) Over Previous Year	Pass-Throughs: Payments	Percent of Taxes
1984-85	$ 96,735	-	96,735	-	3,327	3.44%
1985-86	353,008	-	353,008	264.92%	12,414	3.52%
1986-87	506,629	-	506,629	43.52%	17,732	3.50%
1987-88	678,040	-	678,040	33.83%	23,731	3.50%
1988-89	621,227	-	621,227	(8.38%)	21,743	3.50%
1989-90	738,813	180,799	919,612	48.03%	106,412	11.57%
1990-91	990,435	184,340	1,174,775	27.75%	123,096	10.48%
1991-92	945,687	288,969	1,234,656	5.10%	153,201	12.41%
1992-93	885,367	400,431	1,285,798	4.14%	185,047	14.39%
1993-94	1,041,613	365,695	1,407,308	9.45%	154,111	10.95%
1994-95	938,599	325,582	1,264,181	(10.17%)	155,708	12.32%
1995-95	915,411	305,742	1,221,153	(3.40%)	148,748	12.18%
1996-97	849,924	360,236	1,210,160	(0.90%)	156,687	12.95%
1997-98	927,108	341,509	1,268,617	4.83%	161,944	12.77%
1998-99	1,146,428	409,834	1,556,262	22.67%	192,907	12.40%
1999-00	1,376,256	423,939	1,800,195	15.67%	282,924	15.72%
2000-01	1,383,150	513,647	1,896,797	5.37%	306,299	16.15%
2001-02	1,507,125	621,107	2,128,232	12.20%	349,269	16.41%

Source: Orange County Auditor-Controller records

CITY OF ORANGE REDEVELOPMENT AGENCY

Property Taxes Received from the Southwest Project Area

Project Area Inception to Date

	Property Tax Receipts					% Increase/	Pass-Throughs	
Fiscal Year	Original 1984	Amend #1 1985	Amend #2 1988	Amend #3 1996	Total Receipts	(Decrease) Over Previous Year	Payments	Percent of Taxes
1985-86	$ 290,000	-	-	-	290,000	-	10,150	3.50%
1986-87	613,686	-	-	-	613,686	111.62%	21,479	3.50%
1987-88	904,317	1,340,232	-	-	2,244,549	265.75%	65,770	2.93%
1988-89	1,466,913	3,501,303	-	-	4,968,216	121.35%	216,142	4.35%
1989-90	1,478,658	2,246,315	971,923	-	4,696,896	(5.46%)	615,126	13.10%
1990-91	1,435,123	2,415,249	1,505,221	-	5,355,593	14.02%	874,467	16.33%
1991-92	1,798,638	2,331,430	2,033,717	-	6,163,785	15.09%	1,111,820	18.04%
1992-93	1,713,535	2,680,500	1,565,630	-	5,959,665	(3.31%)	974,952	16.36%
1993-94	1,945,310	2,102,404	312,692	-	4,360,405	(26.83%)	426,729	9.79%
1994-95	1,233,288	1,921,706	756,592	-	3,911,586	(10.29%)	485,975	12.42%
1995-95	1,052,333	1,809,104	548,637	-	3,410,074	(12.82%)	420,602	12.33%
1996-97	595,618	1,358,659	348,878	-	2,303,154	(32.46%)	296,823	12.89%
1997-98	673,110	1,484,043	621,418	-	2,778,570	20.64%	407,774	14.68%
1998-99	506,746	1,506,776	732,639	-	2,746,161	(1.17%)	349,818	12.74%
1999-00	3,686,764	2,078,484	756,012	-	6,521,260	137.47%	650,698	9.98%
2000-01	2,657,953	1,891,518	1,267,844	28,240	5,845,555	(10.36%)	847,016	14.49%
2001-02	2,880,975	1,616,424	1,784,976	39,330	6,321,705	8.15%	1,024,322	16.20%

Source: Orange County Auditor-Controller records

CITY OF ORANGE REDEVELOPMENT AGENCY

Property Taxes Received from the Northwest Project Area

Project Area Inception to Date

Fiscal Year	Property Taxes Total Receipts	% Increase/ (Decrease) Over Previous Year	Pass-Throughs Payments	Pass-Throughs Percent of Taxes
1989-90	$ 1,946,779	-	689,212	35.40%
1990-91	2,754,465	41.49%	955,524	34.69%
1991-92	3,238,843	17.59%	1,118,042	34.52%
1992-93	3,259,142	0.63%	1,134,000	34.79%
1993-94	3,683,817	13.03%	985,694	26.76%
1994-95	2,729,446	(25.91%)	727,776	26.66%
1995-95	2,130,470	(21.94%)	567,441	26.63%
1996-97	2,507,225	17.68%	669,456	26.70%
1997-98	3,217,391	28.32%	857,962	26.67%
1998-99	3,648,603	13.40%	972,762	26.66%
1999-00	4,401,634	20.64%	1,173,581	26.66%
2000-01	5,150,150	17.01%	1,373,989	26.68%
2001-02	5,186,291	0.70%	1,385,226	26.71%

Source: Orange County Auditor-Controller records

CITY OF ORANGE REDEVELOPMENT AGENCY

Property Taxes Received Agency-Wide Project Areas

Project Area Inception to Date

	Property Taxes	% Increase/	Pass-Throughs	
Fiscal Year	Total Receipts	(Decrease) Over Previous Year	Payments	Percent of Taxes
1984-85	$ 96,735	-	3,327	3.44%
1985-86	933,008	864.50%	32,714	3.51%
1986-87	1,734,002	85.85%	60,690	3.50%
1987-88	5,167,139	197.99%	155,272	3.01%
1988-89	10,557,659	104.32%	454,026	4.30%
1989-90	10,313,404	(2.31%)	1,336,664	12.96%
1990-91	11,885,960	15.25%	1,872,030	15.75%
1991-92	13,562,227	14.10%	2,376,840	17.53%
1992-93	13,205,128	(2.63%)	2,134,951	16.17%
1993-94	10,128,119	(23.30%)	1,007,570	9.95%
1994-95	9,087,354	(10.28%)	1,127,658	12.41%
1995-95	8,041,301	(11.51%)	989,952	12.31%
1996-97	5,816,468	(27.67%)	750,333	12.90%
1997-98	6,825,758	17.35%	977,493	14.32%
1998-99	7,048,584	3.26%	892,544	12.66%
1999-00	14,842,715	110.58%	1,584,321	10.67%
2000-01	13,587,906	(8.45%)	2,000,330	14.72%
2001-02	14,771,643	8.71%	2,397,912	16.23%

Source: Orange County Auditor-Controller records

CITY OF ORANGE REDEVELOPMENT AGENCY

Assessed Valuations of the Tustin Street Project Area

Project Area Inception to Date

Fiscal	Assessed Valuation		Percent Increase (Decrease)	
		Over	Over	Over
Year	Total	Base Year	Base Year	Previous Year
1984-85	$ 152,831,974	9,230,660	6.43%	-
1985-86	171,639,017	28,087,703	19.56%	12.34%
1986-87	190,639,601	47,038,287	32.76%	11.04%
1987-88	203,757,227	60,155,913	41.89%	6.88%
1988-89	175,694,712	48,563,320	38.20%	(13.77%)
1989-90	293,052,478	67,897,222	30.16%	66.80%
1990-91	319,648,143	94,492,887	41.97%	9.08%
1991-92	332,661,344	107,506,088	47.75%	4.07%
1992-93	339,897,764	114,742,508	50.96%	2.18%
1993-94	345,940,563	120,785,307	53.65%	1.78%
1994-95	341,661,374	116,506,118	51.74%	(1.24%)
1995-95	349,362,218	124,206,962	55.17%	2.25%
1996-97	341,664,419	116,509,163	51.75%	(2.20%)
1997-98	347,626,900	122,471,644	54.39%	1.75%
1998-99	370,613,891	145,458,635	64.60%	6.61%
1999-00	380,055,417	156,418,161	69.94%	2.55%
2000-01	396,104,258	173,038,952	77.57%	4.22%
2001-02	420,484,102	197,418,796	88.50%	6.15%

Source: Orange County Auditor-Controller records

Tustin Street Project Area Top Ten Property Taxpayers – Secured

Taxpayer	Type of Business	Assessed Value	Percent of Total Assessed Value
HMA Enterprises Mall of Orange LP	Commercial	$ 34,361,114	8.1469%
Patricia L Jarboe Trust	Commercial	20,869,724	4.9482%
Jess Watkins Trust	Commercial	12,377,572	2.9347%
Dayton Hudson Corporation	Miscellaneous	10,286,929	2.4390%
Yorba Investment Group	Commercial	9,723,608	2.3054%
Lazarus Days LLC	Commercial	8,323,200	1.9734%
Orange Villa Shopping Center LLC	Commercial	7,637,438	1.8108%
Brian A. Butler Trust	Commercial	7,591,219	1.7999%
Standard Management Inc.	Commercial	6,501,838	1.5416%
North Tustin Plaza Inc.	Commercial	6,252,100	1.4824%
Total		$ 130,924,742	29.3823%

CITY OF ORANGE REDEVELOPMENT AGENCY

Assessed Valuations of the Southwest Project Area

Project Area Inception to Date

Fiscal Year	Assessed Valuation Total	Assessed Valuation Over Base Year	Percent Increase (Decrease) Over Base Year	Percent Increase (Decrease) Over Previous Year
1985-86	$ 177,017,113	28,593,417	19.26%	-
1986-87	195,080,854	46,657,158	31.44%	10.20%
1987-88	586,956,170	147,681,250	33.62%	200.88%
1988-89	628,875,175	215,740,698	52.22%	7.14%
1989-90	916,859,115	416,574,658	83.27%	45.79%
1990-91	991,449,653	491,852,972	98.45%	8.14%
1991-92	1,091,404,651	591,922,686	118.51%	10.08%
1992-93	1,074,565,624	577,296,316	116.09%	(1.54%)
1993-94	1,033,553,749	538,013,678	108.57%	(3.82%)
1994-95	960,499,720	465,199,517	93.92%	(7.07%)
1995-95	890,565,464	395,568,392	79.91%	(7.28%)
1996-97	812,515,610	322,498,389	65.81%	(8.76%)
1997-98	809,174,796	317,879,810	64.70%	(0.41%)
1998-99	763,801,165	274,311,715	56.04%	(5.61%)
1999-00	1,032,462,997	545,741,767	112.13%	35.17%
2000-01	1,061,844,767	573,943,244	117.64%	2.85%
2001-02	1,120,437,447	634,521,485	130.58%	5.52%

Source: Orange County Auditor-Controller records

Southwest Project Area Top Ten Property Taxpayers – Secured

Taxpayer	Type of Business	Assessed Value	Percent of Total Assessed Value
Spieker Properties	Commercial	$ 163,607,046	13.8598%
Orange City Mills LP	Commercial	115,352,548	9.7719%
EOP-Orange LLC	Commercial	68,416,081	5.7958%
Massachussetts Mutual	Commercial	59,666,938	5.0546%
UBS Partners	Miscellaneous	43,500,000	3.6850%
Nap Fort Walton LP	Residential	29,004,782	2.4571%
Orange Town & Country LLC	Commercial	24,750,000	2.0967%
Bergen Brunswig Corporation	Commercial	19,635,000	1.6634%
Transwestern/Mony Tricentre	Commercial	25,952,778	2.1986%
Oly Orange Commerce/Cal Vest General	Commercial	24,595,139	2.0835%
Total		$ 597,499,471	48.6664%

CITY OF ORANGE REDEVELOPMENT AGENCY

Assessed Valuations of the Northwest Project Area

Project Area Inception to Date

Fiscal Year	Assessed Valuation: Total	Assessed Valuation: Over Base Year	Percent Increase (Decrease): Over Base Year	Percent Increase (Decrease): Over Previous Year
1989-90	$ 1,002,855,140	171,237,751	20.59%	-
1990-91	1,072,555,113	240,938,524	28.97%	6.95%
1991-92	1,129,653,543	298,036,954	35.84%	5.32%
1992-93	1,141,634,016	310,057,427	37.28%	1.06%
1993-94	1,185,136,237	353,559,648	42.51%	3.81%
1994-95	1,113,309,851	281,683,262	33.87%	(6.06%)
1995-95	1,083,041,493	252,070,486	30.33%	(2.72%)
1996-97	1,082,416,472	251,445,465	30.26%	(0.06%)
1997-98	1,141,331,906	310,360,899	37.35%	5.44%
1998-99	1,178,901,926	347,930,919	41.87%	3.29%
1999-00	1,259,931,627	428,960,620	51.62%	6.87%
2000-01	1,331,838,494	500,867,487	60.28%	5.71%
2001-02	1,315,852,436	484,881,429	58.35%	(1.20%)

Source: Orange County Auditor-Controller records

Northwest Project Area Top Ten Property Taxpayers – Secured

Taxpayer	Type of Business	Assessed Value	Percent of Total Assessed Value
Syufy Enterprises	Recreational	$ 27,585,933	1.9548%
Volt Orange California Real Estate	Commercial	19,662,525	1.3933%
Plaza Atrium Inc	Commercial	15,693,566	1.1121%
Catellus Finance 1	Miscellaneous	15,408,233	1.0918%
David W. Wilson	Commercial	13,875,924	0.9833%
CPH Orange Office Building LLC	Commercial	12,650,000	0.8964%
Akzo Coatings America Inc	Industrial	12,025,419	0.8521%
Young's Market Company	Commercial	11,460,062	0.8121%
Aerochem Inc.	Industrial	10,397,514	0.7368%
Boyd Business Center of Orange	Commercial	10,386,969	0.7360%
Total		$ 149,146,145	10.5687%

CITY OF ORANGE REDEVELOPMENT AGENCY

Assessed Valuations Agency-Wide Project Areas

Project Area Inception to Date

Orange Merged & Amended Project Area	Assessed Valuation Total	Assessed Valuation Over Base Year	Percent Increase (Decrease) Over Base Year	Percent Increase (Decrease) Over Previous Year
1984-85	$ 152,831,974	9,230,660	6.43%	-
1985-86	348,706,130	56,681,120	19.41%	128.16%
1986-87	385,720,455	93,695,445	32.08%	10.61%
1987-88	790,713,397	207,837,163	35.66%	105.00%
1988-89	804,569,887	264,304,018	48.92%	1.75%
1989-90	2,212,776,733	655,709,631	42.11%	175.03%
1990-91	2,383,662,909	827,284,383	53.15%	7.72%
1991-92	2,553,729,538	997,465,728	64.09%	7.13%
1992-93	2,556,147,404	1,002,096,251	64.48%	0.09%
1993-94	2,564,680,549	1,012,358,633	65.22%	0.33%
1994-95	2,415,470,945	863,388,897	55.63%	(5.82%)
1995-95	2,322,969,175	771,845,840	49.76%	(3.83%)
1996-97	2,236,596,501	690,453,017	44.66%	(3.72%)
1997-98	2,298,133,602	750,712,353	48.51%	2.75%
1998-99	2,313,316,982	767,701,269	49.67%	0.66%
1999-00	2,672,450,041	1,131,120,548	73.39%	15.52%
2000-01	2,789,787,519	1,247,849,683	80.93%	4.39%
2001-02	2,856,773,985	1,316,821,710	85.51%	2.40%

Source: Orange County Auditor-Controller records

Agency-Wide Project AreasTop Ten Property Taxpayers – Secured

Taxpayer	Type of Business	Assessed Value	Percent of Total Assessed Value
Spieker Properties	Commercial	$ 163,607,046	5.4293%
Orange City Mills LP	Commercial	115,352,548	3.8279%
EOP-Orange LLC	Commercial	68,416,081	2.2704%
Massachussetts Mutual	Commercial	59,666,938	1.9800%
UBS Partners	Miscellaneous	43,500,000	1.4435%
HMA Enterprises Mall of Orange LP	Commercial	34,361,114	1.1403%
Nap Fort Walton LP	Residential	29,004,782	0.9625%
Transwestern/Mony Tricentre	Commercial	25,952,778	0.8612%
Orange Town & Country LLC	Commercial	24,750,000	0.8213%
Bergen Brunswig Corporation	Commercial	19,635,000	0.6516%
Total		$ 584,246,287	19.3881%

CITY OF ORANGE REDEVELOPMENT AGENCY

Sales Tax Revenues Generated Within Redevelopment Project Areas

Last Ten Fiscal Years

Fiscal Year	Tustin Project Area	Southwest Project Area	Northwest Project Area	Total Redevelopment Agency	Percentage Increase over Previous year	Ratio of Agency Sales Tax to City Totals	Total City of Orange Sales Tax
1992-93	1,148,182	2,461,102	4,061,536	7,670,820	0.00%	45.46%	16,875,099
1993-94	1,187,470	1,934,240	3,841,767	6,963,477	-9.22%	43.99%	15,829,169
1994-95	1,182,953	1,876,398	4,318,150	7,377,501	5.95%	43.95%	16,786,448
1995-96	1,225,273	1,819,955	4,587,659	7,632,887	3.46%	45.02%	16,953,854
1996-97	1,215,687	1,897,371	5,032,010	8,145,068	6.71%	46.96%	17,344,302
1997-98	1,308,515	1,845,921	5,612,730	8,767,166	7.64%	47.48%	18,464,524
1998-99	1,481,859	1,984,706	6,193,682	9,660,247	10.19%	45.53%	21,219,662
1999-00	1,647,257	1,847,861	6,718,073	10,213,191	5.72%	42.85%	23,832,306
2000-01	1,769,920	1,799,026	7,356,910	10,925,856	6.98%	45.87%	23,821,205
2001-02	1,941,062	1,689,028	7,317,033	10,947,123	0.19%	45.67%	23,969,458

Source: The HdL Coren & Cone Companies

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures

Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures *	Ratio of Debt Service to Total Expenditures
1992-93	$ 295,000	2,900,179	3,195,179	20,975,361	15.2330%
1993-94	435,000	6,286,302	6,721,302	15,905,824	42.2569%
1994-95	580,000	5,042,305	5,622,305	14,808,101	37.9678%
1995-96	845,000	4,999,400	5,844,400	21,147,224	27.6367%
1996-97	905,000	7,541,086	8,446,086	14,341,665	58.8919%
1997-98	880,000	4,616,110	5,496,110	16,444,612	33.4220%
1998-99	1,065,000	4,728,736	5,793,736	12,092,009	47.9138%
1999-00	1,135,000	4,661,014	5,796,014	11,980,621	48.3782%
2000-01	1,210,000	4,583,574	5,793,574	14,286,847	40.5518%
2001-02	1,295,000	4,500,507	5,795,507	17,452,021	33.2082%

* Includes Special Revenue, Debt Service, and Capital Projects Funds.

Source: Orange Redevelopment Agency Annual Financial Reports

CITY OF ORANGE REDEVELOPMENT AGENCY

Ratio of Net General Bonded Debt to Assessed Value

Last Ten Fiscal Years

Fiscal Year	Net General Bonded Debt	Incremental Assessed Value	Ratio of Net Bonded Debt to Assessed Value	City of Orange Population	Net Bonded Debt per Capita
1992-93	$ 72,140,000	1,002,096,251	7.1989%	115,300	625.67
1993-94	81,705,000	1,012,358,633	8.0708%	116,700	700.13
1994-95	81,125,000	863,388,897	9.3961%	118,105	686.89
1995-96	80,280,000	771,845,840	10.4010%	119,742	670.44
1996-97	78,035,000	690,453,017	11.3020%	123,105	633.89
1997-98	77,155,000	750,712,353	10.2776%	125,065	616.92
1998-99	76,090,000	767,701,269	9.9114%	127,603	596.30
1999-00	74,955,000	1,131,120,548	6.6266%	129,399	579.25
2000-01	73,745,000	1,247,849,683	5.9098%	132,826	555.20
2001-02	72,450,000	1,316,821,710	5.5019%	132,947	544.95

Source: Assessed Value - Orange County Auditor-Controller records

Direct and Overlapping Debt

Last Ten Fiscal Years

Fiscal Year	Metropolitan Water District Override	School Districts	Orange County Flood Control District	County of Orange	Total including Basic Levy of 1%
1992-93	0.00890	0.00670	0.00073	0.00014	1.01647
1993-94	0.00890	0.00000	0.00068	0.00013	1.00971
1994-95	0.00890	0.00000	0.00067	0.00011	1.00968
1995-96	0.00890	0.00000	0.00037	0.00013	1.00940
1996-97	0.00890	0.00000	0.00012	0.00012	1.00914
1997-98	0.00890	0.00000	0.00000	0.00000	1.00890
1998-99	0.00890	0.00000	0.00000	0.00000	1.00890
1999-00	0.00890	0.00000	0.00000	0.00000	1.00890
2000-01	0.00880	0.00000	0.00000	0.00000	1.00880
2001-02	0.00770	0.00000	0.00000	0.00000	1.00770

Source: Orange County Auditor-Controller records

CITY OF ORANGE REDEVELOPMENT AGENCY

Summary of Low and Moderate Housing Projects Assisted by the Agency

From Project Area Inception to Date

Name of Project	Total # of Units	Restricted Units by Type: Family	Senior	Disabled	Total	Assistance: Agency	City Grant Funds	Type of Project
Casas del Rio	40			40	40	$ -	121,000	New Construction
Palmyra Apartments	50		10		10	610,657		New Construction
Triangle Terrace	75		75		75	-	245,000	New Construction
Ronald McDonald House	20	10			10	221,170		New Construction
Pixley Arms	15		7		7	720,294		New Construction
Walnut Court	7	3			3	297,574		New Construction
Citrus Village Apartments	47	22			22	750,000		Acquisition/ Rehabilitation
Chestnut Place/Fairway Manor	50	24			24	760,718		New Construction
Parker Apartments	3	2			2	105,500		Acquisition
Orange Blossom Apartments	4		4		4	271,775		New Construction
The Knolls/Villa Santiago	260	260			260	7,500,000		Acquisition/ Rehabilitation
Orange Garden Apartments	24	24			24	-	675,000	Acquisition/ Rehabilitation
Plaza Garden Apartments	56	56			56	1,215,750		Acquisition/ Rehabilitation
Adams Triplex I	3	3			3	43,974	96,056	Acquisition/ Rehabilitation
Harmony Creek	83		41		41	-	317,250	New Construction
Adams Triplex II	3	3			3	56,925	189,347	Acquisition/ Rehabilitation
Adams Triplex III	3	3			3	134,404		Acquisition/ Rehabilitation
Rose Avenue Apartments	6	6			6	128,077	175,480	Acquisition/ Rehabilitation
N. Prospect Senior Apartments						510,000		Acquision
Esplanade Street Apartments	27	27			27	1,007,109		Acquisition/ Rehabilitation
Lemon Street Apartments	6	6			6	69,000	207,000	Acquisition/ Rehabilitation
Villa Modena	5	5			5	787,722	161,100	New Construction
Wilson Avenue Apartments	10	10	-	-	10	978,614	-	Acquisition/ Rehabilitation
Project Totals	797	464	137	40	641	$16,169,263	2,187,233	

Other Housing Assistance	
First Time Homebuyer Program	$ 2,250,138
Code Enforcement Grants	172,002
Orange Village Mobile Home Park Rehab	354,803
Housing Set-Aside Rehab Loans	42,844
Mobile Home Rent Subsidy	1,122,764
Orange Housing Development Corp-Start up Costs (non-profit housing corporation)	447,461
Total Assistance Other Projects	$ 4,390,012

Source: Economic Dedevelopment Department

CITY OF ORANGE REDEVELOPMENT AGENCY

Construction Permits

Last Ten Fiscal Years

Fiscal Year		Redevelopment Project Areas (1) Number	Redevelopment Project Areas (1) Value	City of Orange Commercial Permits Number	City of Orange Commercial Permits Value	City of Orange Totals Including Residential Number	City of Orange Totals Including Residential Value
1991-92	(2)	-	$ -	648	40,877,430	2436	83,904,012
1992-93	(2)	-	-	614	20,095,093	2197	47,459,836
1993-94	(2)	-	-	770	27,662,567	2980	77,729,553
1994-95	(2)	-	-	721	17,691,990	2701	104,690,896
1995-96	(2)	-	-	825	32,463,269	3205	122,305,484
1996-97	(2)	-	-	636	33,682,488	2614	117,750,219
1997-98	(2)	-	-	825	110,376,704	2340	197,479,479
1998-99		691	22,589,297	1282	47,452,766	3097	111,394,189
1999-00		599	20,783,099	932	29,371,945	2612	100,899,018
2000-01		518	11,092,446	891	37,359,311	2609	100,520,511
2001-02		472	10,489,027	882	40,585,596	2891	114,776,319

(1) The Redevelopment Agency Project areas consist primarily of commercial properties. Residential permits within the project areas would be related to multifamily housing development.

(2) Data on redevelopment project area permits is unavailable for years prior to 1998-99.

Source: City of Orange Community Development Department

Summary of Bank and Related Deposits for the City of Orange

Last Ten Fiscal Years

(in Thousands)

Fiscal Year	Bank Deposits	Savings and Loan Deposits	Credit Union Deposits	Total Deposits
1991-92	$ 1,713,026	855,261	60,152	2,628,439
1992-93	2,110,400	612,643	59,557	2,782,600
1993-94	1,603,303	573,781	77,154	2,254,238
1994-95 **	1,074,656	814,713	75,969	1,965,338
1995-96	1,113,857	776,492	76,493	1,966,842
1996-97	1,507,461	767,791	74,718	2,349,970
1997-98	1,966,699	734,986	76,799	2,778,484
1998-99	1,819,942	608,438	85,065	2,513,445
1999-00	1,396,537	563,054	86,418	2,046,009
2000-01	1,448,692	545,311	91,457	2,085,460
2001-02	***	***	***	***

This information is for the City of Orange.

** Decreases in 1995 reflect decreases in number of branches for banks, savings and loans, and Credit Unions.

*** Not available at time of printing,

Source: The Findley Reports

CITY OF ORANGE REDEVELOPMENT AGENCY

Agency Plan Limitations and Miscellaneous Statistics

Project Area	Acres	Date of Adoption	Last Date to incur Indebtedness (30 years) *	Final Effective Date of the Plan (40 years)	Final Date to Receive Increment (50years)
Tustin 1983	363.60	12/06/83	12/06/2013	12/06/2023	12/06/2033
Tustin 1988 Amend. #1	290.00	06/21/88	06/21/2018	06/21/2028	06/21/2038
Southwest 1984	308.36	11/20/84	11/20/2014	11/20/2024	11/20/2034
Southwest 1985 Amend.#1	506.35	07/15/86	07/15/2016	07/15/2026	07/15/2036
Southwest Amendment #2	47.78	07/05/88	07/05/2018	07/05/2028	07/05/2038
Southwest Amendment #3	2.16	07/09/96	07/09/2016	07/09/2026	07/09/2036
Northwest Original	1,564.00	06/28/88	06/28/2018	06/28/2028	06/28/2038
Orange Merged and Amended	3,082.25	11/13/01	**	**	**
City of Orange	15,316.29				

* Extended 10 years by adoption of the Amended and Restated Redevelopment Plan, November 21, 2001

** Orange Merged and Amended -- Limitations are based on original project area adoptions
Eminent Domain authority expires November 21, 2013.

Other Redevelopment Plan Limitations

Tax Increment Cap	$1,500,000,000
Bonded Debt Limit	$ 800,000,000

CITY OF ORANGE REDEVELOPMENT AGENCY

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population	Housing Units	Public School Enrollment	Median Age	Unemployment Rate
1992-93	115,300*	39,015	14,716		6.3%
1993-94	116,700*	39,154	14,923		5.5%
1994-95	118,105*	39,411	15,327		5.2%
1995-96	119,742	39,742	15,759		4.1%
1996-97	123,105	40,649	16,623		3.2%
1997-98	125,065	41,018	16,958	33.5	3.1%
1998-99	127,603	41,375	17,324		2.4%
1999-00	129,399	41,624	16,958	33.2	2.6%
2000-01	132,826	41,904	17,450		3.0%
2001-02	132,947	41,996	17,423		3.8%

* Previous 1993 - 1995 city population estimates have been revised downward by the State Department of Finance using a revised statewide methodology

Sources:
Population - State of California, Department of Finance
Housing Units - City of Orange Community Development Department
Public School Enrollment - Orange Unified School District
Median Age - State of California, Department of Finance
Unemployment Rate - State of California Employment Development Department

APPENDIX D

FORM OF BOND COUNSEL OPINIONS

September 24, 2003

Orange Redevelopment Agency
300 East Chapman Avenue
Orange, CA 92866

Re: $45,915,000 Orange Redevelopment Agency Orange Merged and Amended Project Area, 2003 Tax Allocation Refunding Bonds, Series A

Members of the Redevelopment Agency:

We have acted as bond counsel in connection with the issuance by the Orange Redevelopment Agency (the "Agency") of its $45,915,000 aggregate principal amount Orange Redevelopment Agency Orange Merged and Amended Project Area, 2003 Tax Allocation Refunding Bonds, Series A (the "Bonds"). The Bonds are 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 and Section 53580 and following of the Government Code of the State of California (the "Law") and a Trust Indenture, dated as of May 1, 1997, as amended and supplemented by that First Supplement to Indenture of Trust, dated as of September 1, 2003 (together the "Trust Indenture"), each by and between the Agency and First Trust of California, National Association, as Trustee. In connection with the issuance of the Bonds, we have examined the Law, the Trust Indenture 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 Trust Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The Agency is a duly organized and validly existing public body, corporate and politic.

2. The Bonds constitute valid, legal and binding special obligations of the Agency enforceable in accordance with their terms.

3. The Trust Indenture has been duly and legally authorized, executed and delivered and constitutes a valid, legal and binding obligation of the Agency enforceable in accordance with its terms. The Trust Indenture creates a valid lien on funds pledged by the Trust Indenture for the security of the Bonds, being comprised of Tax Revenues (as defined in the Trust Indenture) and certain amounts in the funds and

accounts for the Bonds.

4. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain excluded from gross income for purposes of federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of issue of the Bonds. Pursuant to the Trust Indenture, the Agency has covenanted to comply with the requirements of the Code. We are of the opinion that, assuming compliance with the aforementioned covenant, the interest on the Bonds is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. We are further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in corporate adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations.

5. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Although the interest on the Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Trust Indenture may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

September 24, 2003

Orange Redevelopment Agency
300 East Chapman Avenue
Orange, CA 92866

Re: $11,170,000 Orange Redevelopment Agency Orange Merged and Amended Project Area 2003 Taxable Tax Allocation Refunding Bonds, Series B

Members of the Redevelopment Agency:

We have acted as bond counsel in connection with the issuance by the Orange Redevelopment Agency (the "Agency") of its $11,170,000 aggregate principal amount Orange Redevelopment Agency Orange Merged and Amended Project 2003 Taxable Tax Allocation Refunding Bonds, Series B (the "Bonds"). The Bonds are 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 a Trust Indenture dated as of May 1, 1997, as amended and supplemented by that First Supplement to Indenture of Trust, dated as of September 1, 2003 (together, the "Trust Indenture"), each by and between the Agency and First Trust of California, National Association, as Trustee. We have examined the Law, the Trust Indenture 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 Trust Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The Agency is a duly organized and validly existing public body, corporate and politic.

2. The Bonds constitute valid, legal and binding special obligations of the Agency enforceable in accordance with their terms.

3. The Trust Indenture has been duly and legally authorized, executed and delivered and constitutes a valid, legal and binding obligation of the Agency enforceable in accordance with its terms. The Trust Indenture creates a valid lien on funds pledged by the Trust Indenture for the security of the Bonds, comprised of Tax Revenues (as defined in the Trust Indenture) and certain amounts in the funds and accounts for the Bonds.

4. 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 Trust Indenture may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

The opinions expressed herein are based on an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur.

Respectfully submitted,

APPENDIX E

SUMMARY OF INDENTURE

Definitions

"Additional Allowance" means, as of the date of calculation the amount of Tax Revenues that, as shown in the Report of an Independent Financial Consultant, are, assuming a tax rate of 1%, estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increases in the assessed valuation of taxable property in the Project Area which has been recorded with the County Assessor's Office since the previous lien date, as shown on the supplemental roll of the County, Assessor's Office or due to (1) construction completed and not yet reflected on the County Assessor's roll, or (2) upon the written consent of the Bond Insurer transfer of ownership or any other interest in real property.

For purposes of this definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Project Area is estimated to increase above the assessed valuation of taxable property in the Project Area (as shown on the records of the County) as of the date on which such calculation is made.

"Annual Debt Service" means, for each Bond Year, the sum of the interest payable on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds are redeemed from sinking fund payments as scheduled, (A) the principal amount of the Outstanding Serial Bonds payable by their terms in such Bond Year, and (B) the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from sinking fund payments in such Bond Year, excluding the redemption premiums, if any, thereon. For purposes of such calculation, there shall be excluded the principal of and interest on any Parity Bonds, determined among the maturities of such Parity Bonds in such manner as may be determined by the Agency in the Supplemental Indenture under which such Parity Bonds are issued, to the extent the proceeds thereof are then deposited in an escrow fund from which amounts may not be released to the Agency except in accordance with the provisions of the Trust Indenture relating to Parity Bonds.

"Bond Counsel" means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities and selected by the Agency.

"Bonds" means the Series A Bonds, the Series B Bonds and, to the extent required by any Supplemental Indenture, any Parity Bonds authorized by, and at any time Outstanding pursuant to, the Indenture and any Supplemental Indenture.

"Bond Year" means, with respect to the Series A Bonds and the Series B Bonds, the one-year period beginning 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 and end on September 1, 2004.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York and Los Angeles, California, are authorized or obligated by law to be closed.

"Chairman" means the chairman of the Agency appointed pursuant to Section 33113 of the Health and Safety Code of the State of California, or other duly appointed officer of the Agency authorized by the Agency by resolution or by law to perform the functions of the chairman in the event of the chairman's absence or disqualification.

"Closing Date" means any date upon which there is a physical delivery of any series of the Bonds in exchange for an amount representing the purchase price of the Bonds by the original purchaser.

"Code" means the Internal Revenue Code of 1986, as amended. Any reference to a provision of the Code shall be deemed to include the applicable Tax Regulations promulgated with respect to such provision.

"Corporate Trust Office" means the corporate trust office of the Trustee at 550 South Hope Street, 5th Floor, Los Angeles, California 90071, provided, however for transfer, registration, exchange, payment and surrender of Bonds means care of the corporate trust office of First Trust National Association in St. Paul, Minnesota or such other office designated by the Trustee from time to time.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Trustee including its first annual administration fee, expenses incurred by the Agency in connection with the issuance of the Bonds, underwriter's discount, original issue discount, legal fees and charges, including bond counsel and financial consultants' fees, costs of cash flow verifications, premiums for any municipal bond insurance policy that may be purchased and for any reserve account surety bond the Agency may purchase, charges for execution, transportation and safe-keeping of the Bonds and other costs, charges and fees in connection with the original issuance of the Bonds.

"County Assessor" means the person who holds the office in the County in which the Agency is located designated as the County Assessor, or one of his duly appointed deputies, or any person or persons performing substantially the same duties in the event said office is ever abolished or changed.

"County Auditor-Controller" means the person who holds the office in the County in which the Agency is located designated as the County Auditor-Controller, or one of his duly appointed deputies, or any person or persons performing substantially the same duties in the event said office is ever abolished or changed.

"Executive Director" means the executive director of the Agency appointed pursuant to the Law, or other duly appointed officer of the Agency authorized by the Agency by resolution or by law to perform the functions of the executive director including, without limitation, any deputy executive director of the Agency.

"Federal Securities" mean direct 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).

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both inclusive, or any other twelve-month period hereafter selected and designated by the Agency as its official fiscal year period.

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

(1) is in fact independent and not under domination of the Agency;

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

(3) 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 Financial Consultant" means any financial consultant or firm of such consultants appointed by the Agency, and who, or each of whom:

(1) is in fact independent and not under domination of the Agency;

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

(3) 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; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's Investors Service "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; Standard & Poor's Corporation "Called Bond Record," 25 Broadway, 3rd Floor, 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 Payment Date" means March 1, 2004 and each March 1 thereafter so long as any of the 2003 Bonds remain Outstanding.

"Law" means the Community Redevelopment Law of the State of California, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California, and the acts amendatory thereof and supplemental thereto.

"Maximum Annual Debt Service" means, as of the date of any calculation, the largest Annual Debt Service with respect to the Bonds during the current or any future Bond Year.

"Outstanding," when used as of any particular time with reference to Bonds, means all Bonds except-

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid pursuant to the provisions of the Indenture (regardless of whether all Bonds shall have been so paid or so deemed to have been paid); and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture or any Supplemental Indenture.

"Owner" or "Bondowner" means the person or persons whose name appears on the registration books maintained by the Trustee as the registered owner of a Bond or Bonds.

"Parity Bonds" means any bonds, notes, loans, advances, or indebtedness issued or incurred by the Agency on a parity with the Series A Bonds and the Series B Bonds in accordance with the Indenture.

"Permitted Investments" means:

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: (i) Export - Import Bank; (ii) Farmers Home Administration; (iii) General Services Administration; (iv) U.S. Maritime Administration; (v) Government National Mortgage Association ("GNMA"); (vi) U.S. Department of Housing of Urban Development; (vii) Federal Housing Administration;

(c) bonds, notes or other evidences of indebtedness rated "Aaa" by Moody's and "AAA" by S&P and issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding five years;

(d) U.S. dollar denominated deposit accounts, federal funds and bankers acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing no more than 360 days after the date of purchase; provided, however, that ratings on holding companies are not considered as the rating of the bank;

(e) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which mature not more than 270 days after the date of purchase;

(f) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P and rated in the highest rating category by Moody's;

(g) Investment agreements approved in writing by the Bond Insurer supported by appropriate opinions of counsel;

(h) other forms of investments approved in writing by the Bond Insurer; and

(i) for purposes of Section 10.03 hereof only, pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice: and (i) which are rated, based on the escrow, in the highest rating category of S&P and Moody's or any successors thereto; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (a) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

"Principal Payment Date" means September 1 in each year in which any of the Series A Bonds and the Series B Bonds mature by their respective terms; and with respect to any Parity Bond means the stated maturity date of such Parity Bond.

"Project" or "Redevelopment Project" means the undertaking of the Agency pursuant to the Redevelopment Plan, as amended, and the Law for the redevelopment of the Project Area.

"Project Area" or "Redevelopment Project Area" means the Project area described in the Redevelopment Plan.

"Purchase Price," for the purpose of computation of the Yield of the Bonds, has the same meaning as the term "issue price" in Section 1273(b) and 1274 of the Code, and, in general, means the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds are sold or, if the Bonds are privately placed, the price paid by the original purchaser thereof or the acquisition cost of such original purchaser. The term "Purchase Price," for the purpose of computation of the Yield of Permitted Investments, means the fair market value of the Permitted Investments on the date of use of Bond proceeds for acquisition thereof, or if later, on the date that any Permitted Investment becomes a Nonpurpose Investment, as defined in the Code, of the Bonds.

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

"Redevelopment Consultant" means any consultant or firm of consultants appointed by the Agency and judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to financing in redevelopment project areas, and who, or each of whom:

(1) is in fact independent and not under domination of the Agency;

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

(3) 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.

"Redevelopment Plan" or "Plan" means the Amended and Restated Redevelopment Plan for the Orange Merged and Amended Redevelopment Project Area approved by Ordinance No. 21-01, adopted by the City Council of the City on November 27, 2001, merging the following constituent project areas: (i) the Southwest Project Area approved by Ordinance No. 37-84, adopted by the City Council of the City on November 20, 1984, together with "Southwest Amendment No. 1," "Southwest Amendment No. 2," and "Southwest Amendment No. 3," approved pursuant to Ordinance No. 20-86 adopted on July 15, 1986, Ordinance No. 24-88 adopted on July 5, 1988 and Ordinance No. 17-96 adopted on July 9, 1996, respectively, (ii) Tustin Project Area approved by Ordinance No. 49-83, adopted by the City Council of the City on December 6, 1983 and Tustin Street Amendment No. 1 approved by Ordinance No. 20-88 on June 21, 1988, and (iii) the Northwest Project Area approved by Ordinance No. 22-88, adopted by the City Council of the City on June 28, 1988, together with any amendments of any of the foregoing Ordinances heretofore or hereafter duly enacted pursuant to the Law.

"Report" means a Report in writing signed by an Independent Certified Public Accountant, Independent Financial Consultant or Redevelopment Consultant and including-

(1) 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;

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

(3) 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 Requirement" means, with respect to the Bonds, as of the date of calculation an amount equal to the lesser of (i) 10% of the initial outstanding principal amount of the Bonds excluding from said principal amount in the case of any Parity Bonds an amount equal to the amount then on deposit into any escrow fund created with respect to such Parity Bonds created pursuant to the Indenture; (ii) Maximum Annual Debt Service on all Bonds Outstanding; or (iii) 125% of average Annual Debt Service on the Bonds.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax (312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax (215) 496-5058; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Agency may designate in a Written Request of the Agency delivered to the Trustee.

"Serial Bonds" means all of the Bonds of any Series other than the Term Bonds of such Series.

"Series A Bonds" means the Agency's Tustin Street Redevelopment Project 1997 Tax Allocation Parity Bonds, Series A, issued pursuant to the Indenture.

"Series B Bonds" means the Agency's Tustin Street Redevelopment Project 1997 Taxable Tax Allocation Parity Bonds, Series B, issued pursuant to this Indenture.

"Supplemental Indenture" means an agreement, resolution or other instrument then in full force and effect which has been duly adopted by the Agency, amendatory of or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Regulations" means temporary and permanent regulations promulgated under Section 103 and related provisions of the Code.

"Tax Revenue Certificate" means a written certificate of the Agency identifying the amount of Tax Revenues shown on the records of the County Assessor to be received by the Agency in either the current Bond Year or the next Bond Year, and including the Additional Allowance in the case of a Tax Revenue Certificate relating to the next Bond Year.

"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 Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan, including (a) all payments, subventions and reimbursements (if any) to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemption and tax rate limitations and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, to the extent permitted to be applied to the payment of principal, interest and premium (if any) with respect to the Bonds; but excluding (i) all amounts of such taxes required to be paid by the Agency to other taxing agencies pursuant to pass-through agreements or similar tax-sharing agreements (other than any agreement expressly made subordinate to bonded indebtedness of the Agency) entered into pursuant to Section 33401 of the Law existing on the Closing Date, (ii) amounts of such taxes required to be paid by the Agency to other taxing agencies pursuant 8to Section 33607.5 of the Redevelopment Law, except to the extent such payments are subordinated pursuant to subsection (e) of Section 33607.5, and (iii) amounts required to be paid by the Agency pursuant to the Disposition and Development Agreement with Home Depot U.S.A., Inc. dated June 24, 1991, as amended.

"Term Bonds" means, with respect to the Series A Bonds, the Series A Bonds originally issued under the Indenture maturing on September 1, 2016; with respect to the Series B Bonds, the Series B Bonds originally issued under the Indenture maturing on September 1, 2017 and September 1, 2027; and with respect to any Parity Bonds, such Parity Bonds which are payable on or before their specified Principal Payment Dates from sinking account payments established for that purpose and calculated to retire such Parity Bonds on or before their respective Principal Payment Dates.

"Treasurer" means the treasurer of the Agency appointed pursuant to the Law, or other duly appointed officer of the Agency authorized by the Agency by resolution delivered to the Trustee or bylaw to perform the functions of the treasurer including, without limitation, the Assistant Treasurer of the Agency.

"Trustee" means the Trustee appointed by the Agency and acting as an independent trustee with the duties and powers provided in the Indenture, its successors and assigns, and any other corporation or association which may at any time be substituted in its place.

"Written Request of the Agency" means an instrument in writing signed by either the Chairman, the Executive Director, the Financial Officer, the Redevelopment Director or by any other officer of the Agency duly authorized by the Agency for that purpose.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Permitted Investments which require payments in a form not characterized as principal and interest) on a Permitted Investment or on any series of the Bonds produces an amount equal to the Purchase Price of such Permitted Investment or any series of the Bonds, as the case may be, all computed as prescribed in the applicable Tax Regulations.

Creation of Funds and Accounts

The Indenture establishes the following accounts:

(1) Costs of Issuance Fund,

(2) Series A Refunding Account,

(3) Series B Refunding Account,

(4) Special Fund, under which there is established the

(a) Interest Account,
(b) Principal Account, and
(c) Reserve Account, and

(5) Redemption Fund

Costs of Issuance Fund

The Indenture establishes 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 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 six months following the Closing Date, or upon the earlier Request of the Agency stating that all known Costs of Issuance have been paid, all amounts, if any, remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Agency to be applied for lawful redevelopment purposes.

Special Fund; Deposit of Tax Revenues

The Indenture establishes a special fund to be known as the "Tustin Street Redevelopment Project Tax Allocation Bonds Special Fund" (the "Special Fund"), which shall be held by the Trustee. The Agency shall transfer all of the Tax Revenues received in any Bond Year to the Trustee for deposit in the Special Fund promptly upon receipt thereof by the Agency; provided, that the Agency shall not be obligated to deposit in the Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in the Special Fund exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, Principal Account and the Reserve Account in such Bond Year pursuant to the Indenture. Any Tax Revenues received by the Agency during any Bond Year in excess of the amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account and the Reserve Account in such Bond Year pursuant to the Indenture, shall be released from the pledge and lien under the Indenture and may be used for any lawful purposes of the Agency.

All Tax Revenues and any other amounts at any time paid by the Agency and designated in writing for deposit in the Special Fund shall be held by the Trustee solely for the uses and purposes set forth in the Indenture. So long as any of the Bonds are Outstanding, the Agency shall not have any beneficial right or interest in the Tax Revenues, except only as provided in the Indenture, and such moneys shall be used and applied as set forth therein.

All moneys in the Special Fund shall be transferred and set aside by the Trustee in the following respective special accounts of the Special Fund (each of which is hereby created to be held in trust by the Trustee) in the following order of priority:

(a) Interest Account. At least one Business Day prior to each Interest Payment Date, the Trustee shall transfer from the Special Fund and set aside in the Interest Account an amount which, when added to the amount contained in the Interest Account will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No deposit need be made into 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 Bonds issued under the Indenture and then Outstanding. The Trustee shall also deposit in the Interest Account any other moneys received by it from the Agency and designated in writing by the Agency for deposit in the Interest Account. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. At least one Business Day prior to each Principal Payment Date, the Trustee shall transfer from the Special Fund and set aside in the Principal Account an amount which, when added to the amount contained in the Principal Account will be equal to the principal becoming due and payable on the Bonds on such Principal Payment Date, whether by reason of scheduled maturity or mandatory sinking fund redemption. No deposit need be made into the Principal Account if the amount contained therein is at least equal to the principal to become due on such Principal Payment Date, whether by reason of scheduled maturity or mandatory sinking fund redemption. The Trustee shall also deposit in the Principal Account any other moneys received by it from the Agency and designated in writing by the Agency for deposit in the Interest Account. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds as it shall become due and payable, whether by reason of scheduled maturity or mandatory sinking fund redemption.

(c) Reserve Account. At least one Business Day before each Interest Payment Date and after the deposits required pursuant to the preceding subparagraphs have been made, the Trustee shall withdraw from the Special Fund and deposit in the Reserve Account an amount of money, if any, required to maintain the Reserve Account in the full amount of the Reserve Requirement. No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required by this paragraph to be on deposit therein. The Trustee shall deposit proceeds from subsequent series of Bonds into the Reserve Account in such amounts as may be set forth in the Supplemental Indentures pursuant to which such subsequent series of Bonds are issued. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account and the Principal Account, in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money of the Agency is lawfully available therefor, 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 amount required to be on deposit therein except as otherwise provided, shall be transferred to the Special Fund. The Reserve Requirement may be satisfied by crediting to the Reserve Account moneys, a letter of credit, a bond insurance policy, any other comparable credit facility or any combination thereof which has been approve3d in writing by the Bond Insurer and which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Requirement (the "Reserve Account Credit Device"). In the event that the Reserve Account contains both cash and a reserve account credit device, cash in the Reserve Account shall be drawn down completely before any demand is made on the Reserve Account Credit Device. In the event that the Reserve Account contains more than one Reserve Account Credit Device, then each Reserve Account Credit Device shall be drawn down on a pro-rata basis. The Trustee has received the 2003 Series A Reserve Account Surety Bond and the 2003 Series B Reserve Account Surety Bond delivered by the Bond Insurer pursuant to the Series A Guaranty Agreement and the Series B Guaranty Agreement, respectively. Any replenishment of funds to the Reserve Account shall first be made to the Insurer for any draw upon the Reserve Account Credit Facility and second to replenish any cash drawn from the Reserve Account. Upon the deposit with the Trustee of such letter of credit, bond insurance policy or other comparable credit facility, the Trustee shall transfer moneys then on hand in the Reserve Account to the Agency to be applied for lawful redevelopment purposes.

(d) Surplus. Except as may be otherwise provided in any Supplemental Indenture, the Agency shall not be obligated to transfer to the Trustee for deposit in the Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in the Special Fund, exceeds the amounts required in such Bond Year. In the event that for any reason whatsoever any amounts shall remain on deposit in the Special Fund on any September 2 after making all of the transfers required to be made to the Interest Account, the Principal Account and the Reserve Account and pursuant to any Supplemental Indenture, the Trustee shall withdraw such amounts from the Special Fund and transfer such amounts to the Agency, to be used for any lawful purposes of the Agency.

Redemption Fund

The Redemption Fund shall be held by the Trustee. On or before the Business Day preceding any date on which the Bonds are to be optionally redeemed, the Agency shall deposit with the Trustee for deposit in the Redemption Fund an amount required to pay the principal of and premium, if any, on the Bonds to be optionally redeemed. All moneys in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds subject to optional redemption.

Covenants of the Agency

Punctual Payment. The Agency will punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds. Nothing contained in the Indenture shall prevent the Agency from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded whether or not with the consent of the Agency, such 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.

Against Encumbrances. Except for Parity Bonds, the Agency covenants and agrees that it will not issue any other obligations payable, as to either principal or interest, from the Tax Revenues which have, or purport to have, any lien upon the Tax Revenues superior to or on a parity with the lien of the Bonds; provided, however, that the Agency is not prohibited from issuing and selling pursuant to law refunding bonds or other refunding obligations payable from and having a first lien on a parity basis with all Outstanding Parity Bonds upon the Tax Revenues if such refunding bonds or other refunding obligations are issued and are sufficient for the purpose of refunding all or a portion of the Bonds then Outstanding.

Protection of Security and Rights of Bondowners. The Agency will preserve and protect the security of the Bonds and the rights of the Bondowners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the Agency the Bonds shall be incontestable by the Agency.

Payments of Taxes and Other Charges. The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project

Area, or upon the revenues therefrom, when the same shall become due. The Agency is not required 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 Project or any part thereof.

Compliance with Law. Completion of Project. The Agency will comply with all applicable provisions of the Law in completing the Project including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Project subject to either Section 33445 or 33679. In addition, the Agency will comply timely with the public hearing and further requirements of Section 33334.6. The Agency will commence, and will continue to completion, with all practicable dispatch, the Project and the Project will be accomplished and completed in a sound and economical manner and in conformity with the Redevelopment Plan and the Law.

Financial Statements. The Agency will cause to be prepared and filed with the Trustee annually, within one hundred eighty (180) days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Redevelopment Fund and the financial condition of the Project, including the balances in all funds and accounts relating to the Project, as of the end of such Fiscal Year. The Trustee has no duty to review such financial statements.

Taxation of Leased Property. Whenever any property in the Redevelopment Project has been redeveloped and thereafter is leased by the Agency to any person or persons (other than the City) or whenever the Agency leases real property in the Redevelopment Project to any person or persons (other than the City) for redevelopment, the property shall be assessed and taxed in the same manner as privately owned property, as required by Section 33673 of the Law.

Disposition of Property. The Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) if the effect of such disposition would be to cause the amount of Tax Revenues for the then current Fiscal Year based on assessed valuation of property in the Project Area as evidenced in a written document from the County, to fall below 125% of Maximum Annual Debt Service.

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.

Use of Proceeds. The Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in the Law.

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 the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Non-Arbitrage Bonds. The Agency covenants with the Owners of the Series A Bonds at any time Outstanding that it will make no use of the proceeds of the Series A Bonds which will cause the Series A Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 or any successor section of the Code. To that end, so long as any of the Series A Bonds are Outstanding, the Agency, with respect to the proceeds of the Series A Bonds, shall comply with all requirements of said Section 148 or any successor section and all regulations of the United States Department of the Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect.

Private Business Use Limitations. Not in excess of ten percent (10%) of the Net Proceeds (as defined below) of the Series A Bonds will be used for a Private Business Use (as defined below) if, in addition, the payment of more than ten percent (10%) of the principal or ten percent (10%) of the interest due on the Series A Bonds during the term thereof is, under the terms of the Series A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Agency, in respect of property or borrowed money used or to be used for a Private Business Use. In the event that both (i) in excess of five percent (5%) of the Net Proceeds of the Bonds are used for a Private Business Use, and (ii) an amount in excess of five percent (5%) of the principal or five percent (5%) of the interest due on the Series 1993 Bonds during the term thereof is, under the terms of the Series 1993 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Agency, in respect of property or borrowed money used or to be used for a Private Business Use, then said five percent (5%) of Net Proceeds of the Series A Bonds used for a Private Business Use will be used for a Private Business Use related to the governmental use of the Project. "Net Proceeds," when used with reference to the Series A Bonds, means the face amount of the Series A Bonds, plus accrued interest and premium if any, less original issue discount and less proceeds deposited in the Reserve Account. "Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a governmental unit and use by a nongovernmental unit as a member of the general public.

Private Loan Limitation. The Agency is required to assure that not in excess of five percent (5%) of the Net Proceeds of the Series A Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting nonpurpose obligations, as defined in the Code) to persons other than state or local government units.

Compliance with the Code. The Agency covenants to take any and all action and to refrain from taking such action, which is necessary in order to comply with the Code in order to maintain the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of the interest on the Series A Bonds paid by the Agency and received by the Bondowners.

Limit on Indebtedness. The Agency covenants with the Owners of all of the Bonds at any time Outstanding that it will not enter into any obligation or make any expenditure payable from taxes allocated to the Agency under the Law the payments of which, together with payments theretofore made or to be made with respect to other obligations (including, but not limited to, the Bonds) previously entered into by the Agency, would exceed the then-effective limit on the amount of taxes which can be allocated to the Agency pursuant to Section 33333.2(1) of the Law and the Redevelopment Plan.

Deposit and Investment of Moneys in Funds. Moneys in the Special 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 specified by the Treasurer of the Agency and shall be promptly confirmed in writing by the Agency with the Trustee within at least five (5) Business Days. In the absence of any such direction provided by the Treasurer of the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause 7 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.

Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. Whenever in the Indenture any moneys are required to be transferred by the Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture (other than with respect to funds held by the Agency) shall be retained in the respective funds and accounts to be used for the purposes thereof; 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, but only to the extent that the amount remaining in the Reserve Account following such deposit is equal to the Reserve Requirement.

For purposes of acquiring any investments under the Indenture, the Trustee may in its discretion commingle funds held by it under the Indenture. The Trustee may act as principal or agent in the acquisition of any investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture. For purposes of determining the amount on deposit in any fund or account held under the Indenture, all Permitted Investments credited to such fund or account shall be valued by the Trustee, at least monthly, at the market value (excluding accrued interest and brokerage commissions, if any).

Modification or Amendment of the Indenture

The Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture and pursuant to the affirmative vote at a meeting of Bondowners or with the written consent without a meeting of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding. No such modification or amendment shall (1) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Agency to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein without the express consent of the Owner of such Bond, or (2) permit the creation by the Agency of any mortgage pledge or lien upon the Tax Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

The Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture without the consent of any Bond-owners, but only to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Agency in the Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any right or power therein reserved to or conferred upon the Agency; or

(b) to make modifications not adversely affecting any Outstanding series of Bonds of the Agency in any material respect; or

(c) with the written consent of the Trustee 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 regard to questions arising under the Indenture, as the Agency and the Trustee may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the rights of the Owners of the Bonds; or

(d) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture.

Events of Default and Remedies of Bondowners

Events of Default. The following constitute events shall constitute Events of Default under the Indenture:

(a) if default shall be made 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 thirty (30) days following the receipt by the Agency of written notice from the Trustee or any Bondowner of the occurrence of such default; provided, however, that if in the reasonable opinion of the Agency the failure stated in such notice can be corrected, but not within such thirty (30)-day period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Agency within such thirty (30)-day period and diligently pursued until such failure is corrected; or

(c) if the Agency shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the 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 shall assume custody or control of the Agency or of the whole or any substantial part of its property.

Remedies. If an Event of Default has occurred 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) exercise any other remedies available to the Trustee and the Bondowners in law or at equity.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at the net effective rate then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of 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. The Trustee agrees to enforce by mandamus, suit or other proceeding at law or in equity the covenants and agreements of the Agency.

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 (other than the Rebate Account), 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 and thereafter of the Bondowners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (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 of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, or any Bond over any other Bond, 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 Bondowners' Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority 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 acceptable to the Trustee, which indemnity will not be unreasonably rejected, against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, 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 provided in the Indenture 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 provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of the Indenture.

To the extent that the Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under the Indenture, the Bond Insurer is explicitly recognized as being a third party beneficiary under the Indenture and may enforce such rights and remedies granted to it under the Indenture.

Non-waiver. Nothing in the 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 under the Indenture, the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds on the respective Interest Payment Dates, as provided in the Indenture, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

Discharge of Indenture

If the Agency shall pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

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

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

(3) by irrevocably depositing with the Trustee, in trust, non-callable Federal Securities or obligations described in clause (i) of the definition of Permitted Investments in such amount as an Independent Financial Consultant shall certify to the Trustee, based upon a certificate of an Independent Certified Public Accountant, will together with the interest to accrue thereon and 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 (including all principal, interest and redemption premiums) at or before their respective maturity dates; and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then 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 Agency under the Indenture with respect to all Bonds Outstanding shall cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, and thereafter Tax Revenues shall not be payable to the Trustee. Notice of such election shall be filed with the Trustee.

If, subject to above conditions, the Agency shall pay or cause to be paid or make provision for the payment to the Owners of less than all of the Outstanding Bonds the principal of and premium, if any, and interest on such Bonds which is and shall thereafter become due and payable upon such Bonds in accordance with the provisions of clauses (1), (2) and (3) above, such Bonds, or portions thereof, shall cease to be entitled to any lien, benefit or security under the Indenture.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof. The Agency gives no assurances that (i) DTC, the Direct and Indirect Participants or others will distribute payments of principal, premium (if any) or interest with respect to the Bonds paid to DTC or its nominee as, the registered owner, to the Beneficial Owners, (ii) such entities will distribute redemption notices or other notices, to the Beneficial Owners, or (iii) an error or delay relating thereto will not occur.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, premium (if any) and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Agency or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any) and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This **Continuing Disclosure Certificate** (the "Disclosure Certificate") is executed and delivered on this ___________, 2003, by the Orange Redevelopment Agency (the "Agency") in connection with its issuance of $45,915,000 Orange Merged and Amended Project Area, 2003 Tax Allocation Refunding Bonds, Series A (the "Series 2003A Bonds"), and its $11,170,000 Orange Merged and Amended Project Area, 2003 Taxable Tax Allocation Refunding Bonds, Series B (the "Series 2003B Bonds," and together with the Series 2003A Bonds, the "Bonds").

The Bonds are being issued pursuant to a Trust Indenture, dated as of May 1, 1997 (the "Master Indenture"), by and between the Agency and First Trust of California, National Association, as prior trustee, as amended and supplemented by a First Supplement to Indenture of Trust, dated as of September 1, 2003 (the "First Supplemental Indenture"), by and between the Agency and U. S. Bank National Association, as the trustee for the Bonds (the "Trustee"). The Master Indenture, as amended and supplemented by the First Supplemental Indenture, shall be referred to herein as the "Indenture."

The Agency hereby covenants and agrees as follows:

Section 1. <u>Purpose of the Disclosure Certificate.</u> 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 Securities and Exchange Commission Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Official Statement" shall mean the final Official Statement, dated September 16, 2003, relating to the Bonds.

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

"Repository" shall mean each National Repository and each State Repository.

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

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule. As of the date of this Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause, the Dissemination Agent to, not later than nine months after the end of the Agency's fiscal year, commencing with the report for the 2002-2003 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee. Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c) hereof.

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to that effect to the Municipal Securities Rulemaking Board in substantially the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any, and

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

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

(a) Audited Financial Statements of the Agency for the most recent fiscal year, 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, and as further modified according to applicable State law. If the Agency's audited financial statements are not available at the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) Issuance by the Agency of any Parity Bonds (date, amount, term, rating, insurance);

(c) Amount of all Agency debt outstanding secured by a pledge of Tax Revenues;

(d) Current Year annual debt service and debt service coverage ratio for the Bonds, the Tustin Street 1997 Bonds (as defined in the Official Statement) and any other Parity Bonds issued under the Indenture and subordinate issues of the Agency;

(e) Aggregate taxable values for the Merged Project for the most recent fiscal year, in the form of an update to Table 2 of the Official Statement and tax increment revenues for the Merged Project for the most recent fiscal year, in the form similar to Table 1 of the Fiscal Consultant Report (*i.e.*, containing, among other information, actual figures for the "Gross Revenues," the "Pledged Revenues (without Housing Set-Aside)" and "Total Revenues" for the most recent fiscal year);

(f) An update to Table 4 of the Official Statement for the Bonds showing the top ten taxpayers in the Merged Project for the most recent fiscal year, along with a statement as to any bankruptcy of any of top ten such taxpayers in the Merged Project known to the Agency; and

(g) An update of the information in Table 9 of the Official Statement regarding assessment appeals of property holdings in the Merged Project through the most recent fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 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 Bonds,
(7) Modifications to rights of Bondholders.
(8) Optional, contingent or unscheduled Bond calls.
(9) Defeasances.
(10) Release, substitution, or sale of property securing repayment of the Bonds.
(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 promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository, with a copy to the

Trustee. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) 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 pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination on the same manner as for a Listed Event under Section 5(c) hereof.

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Disseminating Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Agency.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) the amendment or waiver, if it relates to annual or event information to be provided, is 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 the Agency 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;

(c) the proposed amendment or waiver (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interest of Bondholders; and

(d) no amendment increasing or affecting the obligations or duties of the Dissemination Agent or the Trustee shall be made without the consent of either party.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, the Trustee at the written request of any Participating Underwriter or holders of at least 25 percent in aggregate amount of Outstanding Bonds, shall, but only to the extent indemnified to its satisfaction from and against any loss, cost, expense or liability of any kind whatsoever, including, without limitation, fees and expenses of its attorneys and additional fees and expenses of the Trustee, or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus 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 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent (if other than the Agent), its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct.

Section 12. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Trustee, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the Agency has caused its duly authorized officer to execute and deliver this Certificate on the date first written above.

ORANGE REDEVELOPMENT AGENCY

By: ______________________________

Name: ______________________________

Title: ______________________________

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT

Name of Agency: Orange Redevelopment Agency

Names of Bond Issues: $45,915,000 Orange Merged and Amended Redevelopment Project Area, 2003 Tax Allocation Refunding Bonds, Series A; and
$11,170,000 Orange Merged and Amended Redevelopment Project Area, 2003 Taxable Tax Allocation Refunding Bonds, Series B

Date of Issuance: ________________, 2003

NOTICE IS HEREBY GIVEN that the Orange Redevelopment Agency (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate dated __________, 2003, executed by the Agency for the benefit for the holders and beneficial owners of the above-referenced bonds. The Agency anticipates that the Annual Report will be filed by ____________________________.

Dated: ________________

ORANGE REDEVELOPMENT AGENCY

By: ______________________________
Name:_____________________________
Title:_____________________________

APPENDIX H

SPECIMEN OF BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Attest: ______________________

Assistant Secretary

STD-R-6
4/95

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APPENDIX I

SPECIMEN OF DEBT SERVICE RESERVE SURETY BOND

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DEBT SERVICE RESERVE
SURETY BOND

MBIA Insurance Corporation
Armonk, New York 10504

Surety Bond No. [POLICY NO.]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of [NAME OF ISSUER] (the "Issuer") under the [TITLE OF THE DOCUMENT] (the "Document") to [NAME OF PAYING AGENT], (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of [TITLE OF THE OBLIGATIONS] (the "Obligations"), provided, that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed [a: FIXED COVERAGE [Dollar Amount of Coverage] or the debt service reserve fund requirement for the Obligations, whichever is less (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.] or [b: VARIABLE COVERAGE the annual amount set forth for the applicable bond year on Exhibit A attached hereto (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.]

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the [ISSUER OR OBLIGOR] (the "Financial Guaranty Agreement"); provided, [ANNUAL PREMIUM OPTION: that no premium is due and unpaid on this Surety Bond and] that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire [ANNUAL PREMIUM OPTION: ,unless cancelled pursuant to paragraph 9 hereof,] on the earlier of (i) [MATURITY DATE] (the maturity date of the Obligations being currently issued), or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. [OPTIONAL FIRST SENTENCE: This Surety Bond shall be governed by and interpreted under the laws of the State of (STATE)]. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within [1 or 3 years] after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

[NOS. 9 and 11 are OPTIONAL]

9. Subject to the terms of the Document, the Issuer shall have the right, upon 30 days prior written notice to the Insurer and the Paying Agent, to terminate this Surety Bond. In the event of a failure by the Issuer to pay the premium due on this Surety Bond pursuant to the terms of the Financial Guaranty Agreement, the Insurer shall have the right upon [No. of days] days prior written notice to the Issuer and the Paying Agent to cancel this Surety Bond. No Demand for Payment shall be made subsequent to such notice of cancellation unless payments are due but shall not have been so paid in connection with the Obligations.

10. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.

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

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this [DATE] day of [MONTH,YEAR].

MBIA INSURANCE CORPORATION

____

President

____

Assistant Secretary

SB-DSRF-9-[STATE CODE]
4/95

EXHIBIT A

Surety Bond No. [POLICY NO.]

Bond Year	Maximum Annual Debt Service
20 to 20	$
20 to 20	$
20 to 20	$

Attachment 1
Surety Bond No. [POLICY NO.]

DEMAND FOR PAYMENT

_______, 20__

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Attention: President

Reference is made to the Surety Bond No. [POLICY NO.] (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on _______ (the "Due Date") in an amount equal to $______ (the "Amount Due").

(b) The [Debt Service Reserve Fund Requirement] for the Obligations is $_________.

(c) The amounts legally available to the Paying Agent on the Due Date will be $_____ less than the Amount Due (the "Deficiency").

(d) The Paying Agent has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Paying Agent hereby requests that payment of the Deficiency (subject to the Surety Bond Coverage) be made by the Insurer under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond: ____

[Paying Agent's Account]

[PAYING AGENT]

By ___________________________

Its ___________________________

Attachment 2
Surety Bond No. [POLICY NO.]

NOTICE OF REINSTATEMENT

_______, 20__

[Paying Agent]

[Address]

Reference is made to the Surety Bond No. [POLICY NO.] (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Insurer hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is $.

MBIA Insurance Corporation

____
President

Attest: ______________________________
Assistant Secretary

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