

Redevelopment and Financial Consulting

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ANNUAL REPORT

For 2008-09 Fiscal Year

Tax Allocation Bonds Series 2002 Series 2006A Series 2006 A-T Series 2006 H-T

Redevelopment Agency of the City of Roseville

Roseville Redevelopment Project

March 2009

FA Fraser & Associates

Section A - Introduction

In October 2002, the Roseville Redevelopment Agency issued its Tax Allocation Bonds, Series 2002 (2002 Bonds) in the amount of \$14,500,000. In October 2006, the Agency issued three series of Tax Allocation Bonds in the total amount of \$22,945,000 (2006 Bonds). As part of the issuance of the Bonds, the Agency executed two Continuing Disclosure Certificates. The Disclosure Certificates were 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 Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The Disclosure Certificates require the Agency to file an Annual Report with each National Repository and each State Repository (if any) no later than eight months after the close of the fiscal year. The Annual Report must therefore be filed by March 31 of each year. There are currently no State Repositories in California.

The Annual Report needs to contain or incorporate by reference the following financial information or operating data on the Roseville Redevelopment Project Area (Project Area):

- summary of Agency indebtedness payable from tax increment generated in the Project Area, including the amount outstanding as of June 30 of the most recent fiscal year, with a distinction between indebtedness payable from Housing Tax Revenues and Non Housing Tax Revenues;
- (ii) identity of pending and successful appeals of assessed values in the Project Area, but only if total appeals exceed, in the aggregate, 5% of assessed value in the Project Area;
- (iii) summary of taxable value in the Project Area for the most recent fiscal year;
- (iv) a listing of the ten major property tax assesses in the Project Area;
- (v) summary of historic receipts of tax increment in the Project Area, the Tax Revenues, Housing Tax Revenues, the debt service for the Bonds and any Parity Debt and the debt service coverage ratio for the Bonds and any Parity Debt for the most recently completed fiscal year;
- (vi) the annual Plan Limit calculation required to be made by the Agency under Section 14.03 of the Supplement and Section 5.13 of the Housing Indenture (regarding determining whether the aggregate amount of the principal of and interest on all Outstanding Bonds, including Outstanding Parity Debt, and Subordinate Debt coming due and payable, exceeds the maximum amount of

Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency).

The Annual Report must also contain the Audited Financial Statements of the Agency prepared in accordance with generally accepted accounting principles.

This Annual Report (Report) provides the required information for the Agency's fiscal year ending June 30, 2008 and includes data on annual tax increment revenues and coverage on bond debt service for the 2007-08 and 2008-09 fiscal years. The balance of this Report shows the required financial information and operating data and was provided by Fraser & Associates, the Agency's redevelopment consultant. The Audited Financial Statements are contained in Appendix A of this Annual Report. Maze & Associates prepared the Agency's Audited Financial Statements. Capitalized terms that are not defined herein have the meaning contained in the Indenture of Trust authorizing the Bonds.

The value and revenue estimates contained in the following section of this Report are based upon information and data which the Agency believes to be reasonable and accurate. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore are not represented as results that will actually be achieved. However, Fraser & Associates has conscientiously prepared them for the Agency on the basis of our experience in the field of financial analysis for redevelopment agencies.

Financial and Operating Data

This section of the Report includes the financial and operating data required to be disclosed as part of the Annual Report.

Outstanding Indebtedness

The Agency reported \$116.2 million in total debt outstanding on its 2008-09 Statement of Indebtedness (SOI). This included the 2002 Bonds, which represented \$22.5 million (inclusive of principal and interest) of the total debt and \$36.6 million for the 2006 A and H-T Bonds. The only debt recorded on the SOI that is senior to the Bonds is the Agency's housing set-aside deposit. All other debt reported on the SOI is subordinate to the Bonds. The debt of the Housing Fund, which represents the future amount of housing set-aside deposits, totaled \$20.2 million. The 2006 H-T Bonds are included within this debt.

Assessment Appeals

Taxpayers may appeal their property tax assessments. A review of recently resolved and open appeals was conducted. Based on data provided by the Placer County Assessor's

Office, there are 27 open appeals for nine property owners in the Project Area. These are shown in the table below.

Open	An	neals
Open	7 T D	pears

Assessee	Original Roll Value	Applicant's Opinion of Value	Potential Value Reduction
Auto Care Inc	\$6,359,287	\$3,000,000	\$3,359,287
Home Depot USA Inc	15,907,554	7,000,000	8,907,554
John L Sullivan Fimited Partne	7,028,400	4,569,000	2,459,400
Ken Inc	20,808,000	16,800,000	4,008,000
Kobra Properties	48,523,830	29,040,600	19,483,230
Roseville Motor Corporation	13,151,547	6,000,000	7,151,547
Rreef America REIT II Corporation	57,117,960	17,134,000	39,983,960
Vanderbeek Ronald T Et Al	11,674,968	6,000,000	5,674,968
W2005 Fargo Hotels Pool C Real	40,853,091	12,253,000	28,600,091
Total	221,424,637	101,796,600	119,628,037

Should each of these appeals be granted, future taxable value could be reduced by almost \$120 million.

Proposition 8 Appeals

A number of counties in California formally announced that they would process temporary assessed value reductions for certain properties (Proposition 8 reductions) where the assessed values exceeded the current market value of properties as of January 1, 2008 without prompting from individual taxpayers. Typically, the properties to be reviewed by the various counties for these "automatic" reductions are single family homes and condominiums which transferred ownership between 2003 and December 31, 2008. These announcements were triggered because residential property values have decreased in many areas of the state.

The Placer County Assessor's Office has indicated that for 2008-09, they reviewed over 50,000 properties county-wide (of a total of 141,000 residential properties) where changes of ownership occurred in the last five years in order to determine if Proposition 8 reductions should be applied. Of this number, the County made reductions in value for 40,000 of these properties. For the Project Area a total of 100 residential parcels were reduced by \$6.6 million for 2008-09, which represented a 23 percent reduction. These reductions are already incorporated into the 2008-09 taxable values used in this report to calculate tax increment. The Assessor's Office is also reviewing residential properties for the 2009-10 tax roll, although no data is currently available on potential impacts.

In order to provide some indication of potential reductions for 2009-10, we reviewed information from Data Quick on recent sales prices. The median price of single-family homes in Roseville that were sold during 2008 represented a decline of 16 percent from the 2007 median price. Should each of the parcels that were reduced on the 2008-09 tax

roll receive an additional value reduction of 16 percent, value could be reduced by an additional \$3.3 million. The Assessor may also decide to extend these reductions to additional parcels in the Project Area that have changed ownership since 2003 but have not yet been reduced. Should this occur, we estimate an additional value reduction of approximately \$5 million for 2009-10. It should be kept in mind that these numbers are only an "order of magnitude" estimate and that actual value reductions will likely vary, perhaps substantially, from these estimates.

Top Ten Assessees

The Top Ten Assessees in the Project Area is summarized on Table 1. The table includes the name of each major assessee, the use of the property, the 2008-09 value of the assessee and the percentage each represents to the total and incremental value of the Project Area for 2008-09. The taxable value for the Top Ten Assessees represents 45.13 percent of the total value of the Project Area and 55.51 percent of the incremental value.

Historical Taxable Values and Tax Increment Revenues

Table 2 shows the historical taxable values of the Project Area over the past five years. Taxable values have increased from \$548.9 million in 2004-05 to \$740.4 million in 2008-09. The total percentage change was 34.9 percent over the four year period. The average annual percentage change in values was 7.77 percent.

Table 3 provides information on the historical receipt of tax increment revenues in the Project Area. The initial County levy is first compared to the actual receipt of tax increment exclusive of supplemental revenues to determine collection trends. Actual receipts of tax increment for the period 2003-04 through 2007-08 have averaged 99.35 percent of the levy. When supplemental property tax receipts are included, the Agency has averaged almost 107 percent of the levy during the same time period.

Taxable Values, Tax Increment Revenues and Tax Revenues

Table 4 provides information on the 2007-08 and 2008-09 taxable values and tax increment revenues of the Project Area. The value of property shown on Table 4 is based on actual values as provided by Placer County. Tax increment generated from the application of the 1 percent tax rate to incremental taxable value for 2007-08 was \$6.2 million and is estimated at \$6.0 million for 2008-09. To this amount, we have added unitary revenues of 9,490 for 2007-08 and \$9,707 for 2008-09. For 2007-08, we also included the actual amount of supplemental revenues received in the Project Area. Due to the difficulty of estimating supplemental revenues, we have not included any for 2008-09.

The tax increment revenues of the Project Area are subject to certain adjustments and liens, as described in this section. The adjustments and liens must be paid prior to the payment of debt service on the Bonds.

Adjustments to Tax Increment

There are two adjustments to the tax increment revenues shown on Table 4 for property tax administrative fees and Section 33676 allocations.

State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. The fees have been estimated and shown on Table 4.

For project areas adopted prior to January 1994, taxing entities could elect to receive additional property taxes above the base year revenue amount. Such amounts are calculated by increasing the real property portion of base year values by an inflation factor of up to 2 percent annually. Taxing entities can receive a proportionate share of such revenues if they elected to do so prior to adoption of the redevelopment plan. The City of Roseville, the Roseville Cemetery District and Placer County are allocated such revenues.

Liens on Tax Increment

Housing Set-Aside

Redevelopment agencies are required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate income housing programs. Table 4 shows the full housing set-aside deposit. This amount represents the Housing Tax Revenues. For 2007-08, Housing Tax Revenues were \$1,271,644 and are estimated at \$1,160,800 for 2008-09.

After payment of the above, Tax Revenues for 2007-08 were \$4,993,881. Tax Revenues for 2008-09 are estimated at \$4,549,000.

Tax Revenues and Coverage

Table 4 also provides information on Tax Revenues and coverage based on Annual Debt Service for the Bonds. As shown on Table 4, Tax Revenues provided 274 percent coverage in 2007-08. For 2008-09, Tax Revenues are projected to provide coverage at 249 percent of Annual Debt Service. Housing Tax Revenues provided 283 percent coverage for 2007-08 and are projected to provide coverage at 261 percent for 2008-09.

Annual Plan Limit

As required in the Supplemental Indenture and the Indenture for the Housing Bonds, the Agency is providing the Annual Plan Limit Calculation. The Annual Plan Limit Calculation is meant to show whether the aggregate amount of principal and interest that is due on all Bonds, plus the Agency's Subordinate Debt, exceeds the amount of Tax Revenues and Housing Tax Revenues permitted under the Plan Limit. As shown on Table 5, total Agency debt payable from Tax Revenues represents 31 percent of Tax

Revenues remaining under the Plan Limit. The debt payable from Housing Tax Revenues represents 18 percent of such revenues remaining under the Plan Limit.				

Table 1 Roseville Redevelopment Agency Roseville Project Area

TEN MAJOR PROPERTY TAX ASSESSEES 2008-09 COUNTY REPORTED VALUES

					%of Total	%of Inc
Assessee	Type of Use	Secured	Unsecured	Total Value	Value (2)	Value (2)
1) Donahue Schriber Realty Group LP	Shopping Center	\$65,953,685	\$0	\$65,953,685	8.91%	10.96%
2) Rreef America REIT II Corporation (3)	Office	57,117,960	0	57,117,960	7.71%	9.49%
3) Kobra Preserve LLC (3)	Apartment	50,893,340	0	50,893,340	6.87%	8.45%
4) W2005 Fargo Hotels Pool C Realty LP (3)	Hotels	40,853,091	0	40,853,091	5.52%	6.79%
5) Evergreen Britannia Land Joint Venture	Shopping Center	33,615,465	0	33,615,465	4.54%	5.58%
6) John L. Sullivan Family Limited Partnership (3)	Auto Dealer	22,690,168	0	22,690,168	3.06%	3.77%
7) Ken Inc. (3)	Commercial	20,808,000	0	20,808,000	2.81%	3.46%
8) Home Depot USA Inc (3)	Retail	14,995,786	0	14,995,786	2.03%	2.49%
9) Roseville Motor Corporation (3)	Auto Dealer	13,151,547	634,750	13,786,297	1.86%	2.29%
10) ABT Properties Creekside LLC	Office	13,464,000	0	13,464,000	1.82%	2.24%
Total Valuation	_	333,543,042	634,750	334,177,792	45.13%	55.51%

Source: Records of Placer County

⁽¹⁾ Based on ownership of locally-assessed secured and unsecured property.

⁽²⁾ Based on updates for 2008-09 Project Area taxable value of \$740,435,398 and incremental value of \$602,012,180.

⁽³⁾ Each owner has an outstanding appeal as shown in the Annual Report.

Table 2 Roseville Redevelopment Agency Roseville Project Area

HISTORICAL TAXABLE VALUE

Fiscal Year	Locally-Assessed Secured Value	Unsecured Value	State-Assessed Value	Total Taxable Value	Percentage Change	Total Incremental Value (1)
2008-09	\$678,540,154	\$59,780,175	\$2,115,069	\$740,435,398	-2%	\$602,012,180
2007-08	697,738,010	57,190,309	2,115,069	757,043,388	10%	618,620,170
2006-07	627,381,473	53,498,214	8,966,398	689,846,085	14%	550,421,529
2005-06	546,418,879	48,038,555	10,448,206	604,905,640	10%	465,481,084
2004-05	493,164,260	44,475,089	11,236,935	548,876,284	N/A	409,451,728
Total Percentage Change					34.90%	
Average Percentage Change	е				7.77%	

⁽¹⁾ Taxable Value above base year value of \$139,424,556 through 2006-07. In 2007-08, the base year value was reduced to \$138,423,218 to reflect the implementation of AB 2672, which remove railroad unitary value from locally reported values.

Source: Placer County Auditor-Controller Office

Table 3
Roseville Redevelopment Agency
Roseville Redevelopment Project Area

HISTORICAL RECEIPTS (1)

		Tax Increment			Total	
	Levy per County (2)	Receipts Less Supplementals	% of Levy Received	Supplementals	Tax Increment Receipts	% of Levy Received
2007-08	\$5,984,405	\$5,953,318	99.48%	\$404,900	\$6,358,219	106.25%
2006-07	5,307,544	5,296,017	99.78%	338,570	5,634,587	106.16%
2005-06	4,482,324	4,450,656	99.29%	273,898	4,724,554	105.40%
2004-05	3,935,978	3,885,170	98.71%	355,347	4,240,517	107.74%
2003-04	3,310,483	3,286,470	99.27%	388,393	3,674,863	111.01%
Average Receipts	s to Levy		99.35%			107.00%

⁽¹⁾ Receipts per Agency records prior to reduction for property tax admin. fees.

⁽²⁾ Intial levy reported by Placer County.

Table 4 Roseville Redevelopment Agency Roseville Project Area

TAX INCREMENT REVENUE AND COVERAGE (1)

	Actual	Estimate
	2007-08	2008-09
Total Value	757,043,388	740,435,398
Base Year Taxable Value	138,423,218	138,423,218
Incremental Taxable Value	618,620,170	602,012,180
Tax Increment	6,154,985	6,020,122
Unitary Tax Increment	9,498	9,707
Supplemental Revenues	404,900	0
Total Tax Increment Revenue	6,569,384	6,029,829
Adjustments to Tax Increment Revenue:		
Property Tax Administration Fees (2)	92,694	93,885
Section 33676 Allocations (3)	211,165	225,922
<u>Liens on Tax Increment</u>		
Housing Set-Aside (4)	1,271,644	1,160,781
Tax Revenues	4,993,881	4,549,240
Non Housing - Bond Debt Service (5)	1,825,008	1,828,710
Coverage	274%	249%
Housing Bond Debt Service (5)	449,129	445,412
Coverage	283%	261%

- (1) Based on taxable values per Placer County Auditor-Controller.
- (2) Estimate based on 1.56 percent of tax increment.
- (3) Additional allocations to various taxing entities pursuant to former Section 33676 of the CRL.
- (4) Based on 20 percent of total tax increment revenue net of Section 33676 allocations.
- (5) Per Official Statement, reflects Annual Debt Service on 2002 and 2006 Bonds.

Table 5 Roseville Redevelopment Agency Roseville Redevelopment Project Area

ANNUAL PLAN LIMIT CALCULATION

			Housing
	Total	Tax	Tax
_	Limit	Revenues	Revenues
REMAINING REVENUES UNDER THE LIMIT Total Tax Increment Limit	450,000,000		
Amount Received Through 07-08	35,947,277		
Remaining Tax Increment Limit	414,052,723		
Remaining Revenues Under Limit		331,242,179	82,810,545
AGENCY DEBT OBLIGATIONS			
Bond Debt Service		00 074 500	
2002 Bonds 2006 Bonds		22,371,530 36,122,685	14 225 452
2000 Bollus		30,122,000	14,325,452
City Loans (Subordinate)		5,847,058	
Other Obligations (Subordinate)		9,330,140	822,932
Property Tax Admin Fees		1,147,074	
Tax Sharing Payments (Subordinate)		27,601,979	
Grand Total - Debt Obligations	_	102,420,466	15,148,384
Remaining TI Limit as Percent		31%	18%

APPENDIX

AUDITED FINANCIAL STATEMENTS